

2016

CAFÉ C



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
Fiscal Year Ended June 30, 2016*

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, 2016**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS

	Page
<u>INTRODUCTION SECTION</u>	
Transmittal Letter	1-8
Certificate of Excellence and Certificate of Achievement.....	9-10
List of Rochester City School District Officials	11
Rochester City School District Central Office Organization Chart	12
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	15-16
Management's Discussion and Analysis	17-33
Basic Financial Statements (<i>the notes to the financial statements are an integral part of the Basic Financial Statements</i>):	
Government-Wide Financial Statements:	
Statement of Net Position.....	35
Statement of Activities	36
Fund Financial Statements:	
Balance Sheet, Governmental Funds	37-38
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	41-42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	43
Fiduciary Fund Statements:	
Statement of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position	45
Notes to Financial Statements.....	46-73
Required Supplementary Information:	
Schedule of District Contributions – New York State Employees' and Teachers' Retirement System Pension Plans	75
Schedule of District's Proportionate Share of Retirement System Pension Plans	76
Schedule of Funding Progress for Retiree Health Plan	77
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – General Fund.....	78
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Special Aid Fund.....	79
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – School Food Service Fund	80
Supplemental Financial Statements and Schedules:	
Schedule of Revenues, Other Sources, Expenditures, and Other Uses - Budget And Actual (Non-GAAP Budget Basis) – General Fund	82-84
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Debt Service Fund.....	85
Summary Schedule of Project Expenditures – Capital Projects Fund	86

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

TABLE OF CONTENTS

Page

STATISTICAL SECTION

Net Position by Component – Last Ten Fiscal Years	90
Changes in Net Position, Governmental Activities – Last Ten Fiscal Years	91-92
Fund Balances - Governmental Funds – Last Ten Fiscal Years	93-94
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	95-96
Assessed Value and Estimated Actual Value of Taxable Real Property – Last Ten Fiscal Years	97
Property Tax Rate per Thousand, Direct and Overlapping Governments – Last Ten Fiscal Years	98
Principal Property Taxpayers – Current Fiscal Year and Nine Years Prior.....	99
City of Rochester Property Tax Levies and Collections – Last Ten Fiscal Years	100
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	101
Ratios of General Debt Outstanding – Last Ten Fiscal Years	102
Direct and Overlapping Debt as of June 30, 2016	103
Legal Debt Margin Information – Last Ten Fiscal Years	104
Pledged-Revenue Coverage – Last Ten Fiscal Years	105
Demographic Economic Statistics – Last Ten Fiscal Years	106
Principal Private Sector Employers in the Rochester Area – Current Year and Nine Years Prior.....	107
Budgeted Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years	108
Operating Statistics – Last Ten Fiscal Years	109
Operating Statistics – Continuing Disclosure Compliance – Last Ten Fiscal Years	110
School Building Information – Last Ten Fiscal Years	111-112

SINGLE AUDIT REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	115-116
Independent Auditor's Report on Compliance for each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance	117-118
Schedule of Expenditures of Federal Awards.....	119-121
Notes to Schedule of Expenditures of Federal Awards	122
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2016	123-124
Schedule of Prior Year Findings and Questioned Costs for the Year Ended June 30, 2016	125

STUDENT ACTIVITY FUNDS

Independent Auditor's Report	127-128
Statement of Assets and Liabilities Arising from Cash Transactions	129
Statement of Cash Receipts and Disbursements	130
Notes to Financial Statements	131

THIS PAGE INTENTIONALLY LEFT BLANK



Introduction





Rochester City School District

Superintendent of Schools
Barbara Deane-Williams

December 15, 2016

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, 2016. 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 unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2016.

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 2015-16 school year, the District reported the following enrollments: 2,160 Pre-kindergarten (Pre-K), 15,867 elementary (K-6) and 11,878 secondary (7-12), for a total of 29,905 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 2015-16, the District paid charter schools tuition from its General fund totaling approximately \$59.6 million for 4,513 students. 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.

On February 11, 2015, the New York State Education Department (NYSED) delivered its final approval to the plan and budget for the University of Rochester to serve as the Educational Partnership Organization (EPO) for East High School beginning on July 1, 2015 and continuing through June 30, 2018. The University entered into this partnership at the request of the Board of Education in an effort to meet State requirements for the restructuring of persistently low-performing schools. The NYSED also identified 3 additional schools within the District as "Persistently Struggling Schools": James Monroe High School, Charlotte High School and Dr. Martin Luther King, Jr. Elementary School. These schools were tasked with making demonstrative improvement in student performance during the 2015-16 school year through the use of State allocated funds specified for turnaround efforts. Failure to demonstrate improvements at these schools may result in State operational and management intervention.

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, 2015 to June 30, 2016:

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 2015-16 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, 2015 and ending on June 30, 2016.

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 just 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 healthcare, photonics,

Sources:

- 1 2016 Rochester, NY Market Outlook, CBRE Group, Inc. | Rochester
- 2 Bureau of Labor Statistics, U.S. Department of Labor

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. The area's 18 colleges and universities, including the research powerhouses of the University of Rochester and the Rochester Institute of Technology, are a cornerstone of Rochester's economy. Area universities have a total enrollment of 80,000 students. These educational resources and the strong partnerships that exist between the academic and business communities are a critical component in sustaining Rochester's growth in the high-tech sector.

The City of Rochester is home to approximately 7.0 million square feet of office space. The vacancy rate for City office space decreased slightly by .6% in 2015 to end the year at 20.5%. The decrease was due to part of the continued trend of adapting office space for residential use in the City of Rochester.

Rochester, along with upstate New York in general, is trending below national unemployment rate averages. The unemployment rate (not seasonally adjusted) for the Rochester area as of June 2016 was 4.3%, down from 5.2% in June 2015. The national average rate for June 2016 is 5.1% and the State average for the same period is 4.5%.

Projected Enrollment

The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total enrollment over the next five years from 27,745 students enrolled in fiscal 2015-16 to a projected 25,874 students enrolled in fiscal 2020-21; an overall projected decrease of 1,871 students over the next five years, or 6.7%. 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. The District anticipates the opening of one additional charter school in 2016-17, with a projected enrollment of 175 students. Additionally, six of the existing charter schools will continue to grow out by offering additional grade levels which will expand their enrollments. As such, the District struggles to balance the impacts of declining enrollments with capacity requirements while maintaining minimum disruption to its local communities. Effective July 1, 2015, the District closed, retired and transferred back to the City of Rochester, Abraham Lincoln Elementary School #22 and Henry W. Longfellow Elementary School #36.

Age of School Buildings

The District owns forty-nine school buildings; with 26 of the 49 being over 60 years old. The District operates twenty-four schools that have some portion of the building that is more than 80 years old. With the average age of all the District's school facilities being 70 years, the District needs to continue to devote the majority of its limited capital improvement resources to maintaining and renovating its buildings.

Age of School Building	Elementary	Secondary	Total
Under 20	0	1	1
20 to 39	3	2	5
40 to 59	14	3	17
60 to 79	2	0	2
80 and over	18	6	24
Total	37	12	49
<i>Oldest Building = 113; Average Age = 70</i>			
<i>Note: School Nos. 15 and 16 are temporarily closed but included above; 107 N. Clinton shifted to Elementary column.</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 March 2017. Phase II of the program received legislative approval in December 2014, and initial planning and design is underway. An amendment to the master plan was submitted for Phase II which included a proposed change to the building aid reimbursement formula used by the State to reimburse the District. This amendment to the plan requested the doubling of the Maximum Cost Allowance ("MCA") on select schools within Phase II in order to enable complete school renovations to occur over a five-year period, rather than partial school renovations. The amendment received legislative approval June 2016 and currently awaits the Governor's signature to be enacted into law. Phase II construction is anticipated to commence in early 2017 in conjunction with the completion of Phase I and is currently envisioned to entail approximately \$435 million in additional renovations to 13 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 2016 Building Condition Survey. The 2016 Building Condition Survey has identified a significant need for investment in the District's facilities, however, District revenues and the City of Rochester debt limits have constrained annual investments in repairs and upgrades. 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 \$350 per square foot, or an estimated total replacement value of \$2.26 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 and the City, 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 2016-17 to 2020-21. 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* – \$6.0 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 II 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 \$10.0 million has been budgeted to address needed upgrades and renovations to promote physical education and athletic competition. Also, it will support projects in the City's recreation centers that are used by the District for physical education.
- ♦ *Long-Term Facility Improvements and Code Compliance Projects* – Approximately \$33.6 million is scheduled for long-term facility upgrades annually over the next five years from bond funding to address ongoing maintenance, repairs and regulatory compliance projects.

The City of Rochester continues to be in compliance with the 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 consistent 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.

Some of the major initiatives in 2015-16 include:

More and Better Learning Time – Through the elimination of early-dismissal Wednesdays, Expanded Learning Schools, increased emphasis on summer learning, and more art and music teachers.

Reading By Third Grade – Through ensuring that every school has at least one full-time reading teacher and librarian, full-day PreK, by providing students with 150,000+ books for reading at home, and a literary focused curriculum.

Special Education Five-Year Improvement Plan – By providing more targeted services for students grouped by disability, a higher quality of individualized education programs and a more consistent, professional and welcoming CSE process.

Improved Student Behavior and School Climate – By providing more social and emotional support, at least one full-time social worker in every school, more art, music, sports and extracurricular activities, and suspension reductions.

Emphasis on Career and Technical Education – Through the unification of Edison Technology as one high school focused on Career and Technical Education, providing skills training and work experience in high-opportunity career fields, and a high school dedicated to computer and information technology careers.

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 2015-16 was \$55,941. The weighted average yield to maturity of purchases by the General fund was 0.08% for 2015-16 and 0.13% for 2014-15.

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-seven 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, 2015. This was the twenty-sixth 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,



Linda L. Cimusz
Superintendent of Schools



Lauren Poehlman, CPA
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, 2015

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, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director

List of Rochester City School District Officials As of June 30, 2016

MEMBERS OF THE BOARD OF EDUCATION

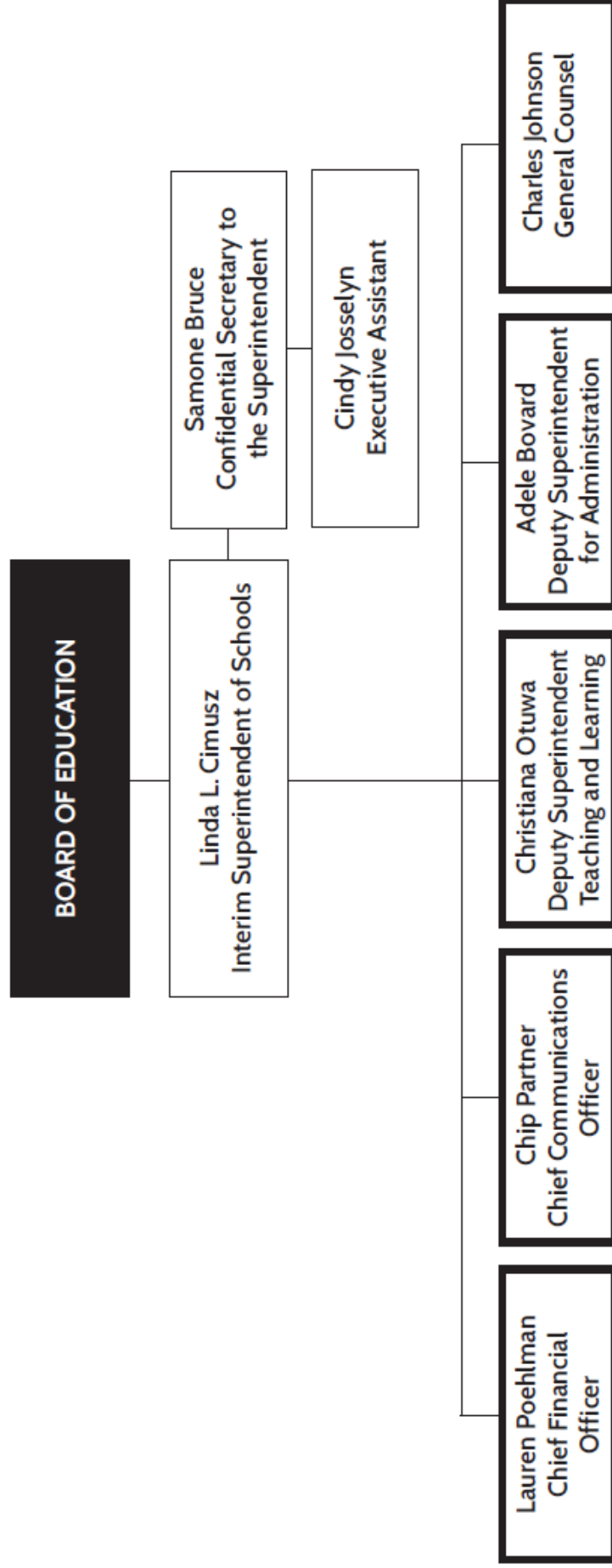
Van Henri White	President
Cynthia Elliott	Vice President
Mary Adams	Member
Jose Cruz	Member
Malik Evans	Member
Elizabeth Hallmark	Member
Willa Powell	Member

SUPERINTENDENT'S LEADERSHIP TEAM

Linda Cimusz	Interim Superintendent of Schools
Michele Alberti	Executive Director of School Innovation
Keith Babuszcza	Chief of Schools
Joseph Baldino	Acting Chief of Schools
Lori Baldwin	Director of Security Operations
Adele Bovard	Deputy Superintendent of Administration
Beverly Burrell-Moore	Chief of Schools
Raymond Giamartino	Chief of School Transformation
Charles Johnson	General Counsel
Harry Kennedy	Chief of Human Capital Initiatives
Annmarie Lehner	Chief Information Technology Officer
Christiana Otuwa	Deputy Superintendent for Teaching and Learning
Chip Partner	Chief Communications Officer
Lauren Poehlman	Chief Financial Officer
Kirstin Pryor	Senior Education Research Analyst
Vicma Ramos	Executive Director of Student Equity and Placement
Michael Schmidt	Chief of Operations
Everton Sewell	Director of Budget
Christopher Suriano	Executive Director of Specialized Services
Ruth Turner	Executive Director of Student Support Services
Robert Ulliman	Director of Planning
Jerome Underwood	Senior Director of Youth Development and Family Services
Vacant	Chief of Staff



Rochester City School District



THIS PAGE INTENTIONALLY LEFT BLANK



Financial



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities; each major fund and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2016, 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, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents; and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information, such as the introductory and statistical sections, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 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
December 2, 2016

**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, 2016. 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, 2016 by \$105,399,969; an increase of \$16,924,069 as compared to the prior year's 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 long-term, financial impacts of the District's pension obligations.
- Due to more favorable Employee and Teachers' Retirement System (ERS and TRS) contribution rates, the amounts deferred for future ERS and TRS payments were significantly less in 2015-16, as compared to the previous year, approximately \$1.8 million versus \$11.6 million, respectively. Generally, retirement system rate characteristics mirror the stock market on a several year lag.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$83,121,076, a decrease of \$40,740,836, in comparison with the previous year. The most significant factor contributing to the \$40.7 million decrease was the non-issuance of capital projects funding for the Facilities Modernization Project (FMP) due to various pending State and Local legislative approvals for the commencement of "Phase 2" of a 3-phase plan.
- At the end of the current fiscal year, the unassigned portion of the fund balance for the General fund was \$8,935,385 or 1.2% of total budgeted General fund expenditures of \$726,480,675 for 2016-17.

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*.

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

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*.

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.

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

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 46-73 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 \$105,399,969 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$218,698,255 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 \$134,530,235 reported at June 30, 2016 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.

An amount of \$21,231,949 is reported on the balance sheet as restricted because its use is limited. This amount represents donations to be used for scholarships and awards, funds supporting extracurricular activities, and certain proceeds from serial bonds which are limited in use by their respective bond covenants.

Rochester City School District's Net Position

Governmental Activities	<u>2014-15</u>	<u>2015-16</u>
Current and other assets	\$ 448,288,128	\$ 379,554,468
Capital assets (net of accumulated depreciation)	572,546,250	594,495,000
Total assets	<u>1,020,834,378</u>	<u>974,049,468</u>
Deferred outflows	50,657,991	74,715,904
Total deferred outflows of resources	<u>50,657,991</u>	<u>74,715,904</u>
Long-term liabilities outstanding	713,782,198	754,935,003
Other liabilities	136,351,557	123,857,264
Total liabilities	<u>850,133,755</u>	<u>878,792,267</u>
Deferred pension inflow	132,882,714	64,573,136
Total deferred inflows of resources	<u>132,882,714</u>	<u>64,573,136</u>
Net investment in capital assets	220,389,578	218,698,255
Restricted	2,515,309	21,231,949
Unrestricted (Deficit)	(134,428,987)	(134,530,235)
Total net position	<u><u>\$ 88,475,900</u></u>	<u><u>\$ 105,399,969</u></u>

"Current and other assets" decreased by approximately \$68.7 million during fiscal year 2015-16. The most significant factor impacting this decrease was a \$55.4 million decrease in cash and cash equivalents, including restricted cash, recorded at June 30, 2016 as compared to the previous year. This was primarily attributable to the decreased level of bond funding available in

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

the Rochester Joint Schools Construction Board (RJCSB) fund at year end. No bonds were issued on behalf of the RJSCB during 2015-16, due to delays in the commencement of Phase 2 due to State and Local approvals required prior to bond issuance. A significant decrease in the long term New York State Teachers' Retirement System (NYSTRS) pension asset of approximately \$19.8 million occurred during the same timeframe. Pension asset variability is contingent upon a number of factors such as system contribution rates, market performance and statewide actuarial results. Amounts due the District from outside entities increased by approximately \$15.6 million primarily due to outstanding amounts for Federal, State and local grants, as well as an amount due from a former food service management company in association with contractual performance. These increases were offset by a \$9.3 million decrease in prepayments recorded at June 30, 2016 as compared to the previous year. This is attributable to a timing issue for the first annual payment to Charter schools for July and August tuition between fiscal years.

"Capital assets (net of accumulated depreciation)" increased by approximately \$21.9 million during fiscal year 2015-16. An additional \$64.3 million was spent on construction in progress during fiscal 2015-16. A significant amount of this spending, \$34.8 million, was on construction improvements associated with the final two schools, School #12 and Monroe High School, of Phase I of the Facilities Modernization Program (FMP). \$19.6 million of the construction in progress activity during fiscal 2015-16 was placed in service as asset additions for the District. At year end June 2016, a balance of \$62.7 million remains in construction in progress, a \$44.7 million increase over the prior year ending balance of \$18.0 million. Phase I of the Facilities Modernization Program (FMP) is scheduled to wind down Fall of 2016 and currently nears its conclusion. As Phase I construction activity winds down, planning work is underway to update the FMP Master Plan and to define the detail work intended to be completed as part of Phase II of the FMP. It is anticipated that there will be continuing construction activity associated with an additional Monroe High School renovation project, as part of a Phase II of the FMP beginning in early 2017. For additional information on the FMP, refer to Note. V. D. of this report.

"Deferred outflows" increased by approximately \$24.1 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. Deferred pension outflows and deferred pension outflows subsequent to the actuarial measurement date increased by \$32.3 million for the ERS and decreased by \$8.0 million for the TRS, resulting in a net increase of \$24.3 million. Offsetting this \$24.3 million increase was a nominal \$0.2 million decrease in deferred charges on refunding, net of accumulated depreciation between the 2014-15 and 2015-16 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 \$41.2 million overall, as compared to the prior year. Of this \$41.2 million increase, \$29.5 million is attributable to an increase in the long-term pension liability recorded for the ERS. Pension liability variability is contingent upon a number of factors such as system contribution rates, market performance and statewide actuarial results. An additional increase of \$1.9 million was attributable to retainages payable associated with the RJSCB. Retainages payable represent amounts associated with work completed by contractors on various construction projects. These amounts are paid as final projects associated with the construction work have received final inspection upon contract

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

completion. The remaining \$9.8 million increase in long-term liabilities is the net increase in liabilities such as post-employment health insurance, compensated absences, outstanding debt, pension loans and workers' compensation claims.

The \$12.5 million decrease in "Other liabilities" was attributable to several factors such as the \$2.0 million decrease in the amount of BANs outstanding at the end of the fiscal year as compared to the previous year, as well as a decrease in the amounts due to the ERS and TRS retirement systems of \$2.4 million at year end due to the final payment of retirement incentive amounts accrued at the end of fiscal 2014-15. Additionally, amounts recorded in accounts payable and accrued liabilities decreased by approximately \$7.9 million, overall. This decrease was due to increased resource availability in the facilitation of processing accounts payable activity prior to June 30, 2016 as compared to June 30, 2015. In April 2015, the District implemented a new mileage and travel reimbursement software, Concur software, to facilitate payment of District travel expenditures. As with most new software implementations, resources were diverted to focus on an effective transition to the new software platform. This resource reallocation resulted in a delay in a significant volume of invoices associated with 2014-15 expenditures that were recorded as accounts payable or accrued liabilities as of June 30, 2015. Since the new system was fully implemented by the end of fiscal 2015-16, resources were not needed for this purpose and in addition to the increased efficiencies gained by the new Concur reimbursement system, an additional focus was placed on the processing of any invoices associated with fiscal 2015-16 expenditures prior to the close of the fiscal year. Other decreases amounting to approximately \$0.8 million were attributed to fewer liabilities recorded at the end of fiscal 2015-16 in association with contingencies for various claims and lawsuits arising from alleged personal injuries, property damages, civil rights violations, employment/labor matters, and construction contract disputes, as compared to the previous year. Accrued salaries and benefits in the Special Aid fund also decreased by approximately \$1.2 as a result of the Teachers' Incentive Fund initiative. Amounts due to other governments decreased by approximately \$1.0 million primarily due to the final satisfaction of a liability during fiscal 2015-16 that was due to New York State in association with prior year Contract for Excellence expenditures. These aforementioned decreases as well as other various, slight decreases were offset by increases such as \$1.3 million recorded in the Special Aid fund for unearned revenue and \$0.5 million for amounts payable the Trust and Agency fund for medical reimbursements, scholarships and awards.

"Deferred pension inflows" decreased by approximately \$68.3 million. A \$4.5 million ERS inflow increase was offset by an \$72.8 million TRS inflow decrease that was recorded during 2015-16. Similar to pension outflows, 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 ERS and TRS employer cost sharing plans. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

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

As mentioned previously, the unrestricted deficit of \$134,530,235 reported at the end of fiscal year 2015-16 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>2014-15</u>	<u>2015-16</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,729,477	\$ 2,239,359
Operating grants and contributions	109,228,469	113,987,817
General revenues:		
State & federal aid	462,719,362	497,713,112
Intergovernmental	119,100,000	119,100,000
Lottery aid	69,627,693	68,357,659
Other	11,407,549	15,930,639
Total Revenues	<u>773,812,550</u>	<u>817,328,586</u>
Expenses		
General support:		
Board of Education	811,972	1,184,391
Chief school administrator	947,164	2,509,063
Finance	6,165,866	7,418,291
Staff	5,948,881	7,755,959
Central Services	77,142,220	82,909,676
Other	4,951,793	4,814,857
Total General Support	<u>95,967,896</u>	<u>106,592,237</u>
Instruction:		
Administration and improvement	74,179,100	67,388,814
Teaching	462,945,545	477,002,393
Instructional media	9,922,632	9,349,425
Pupil services	40,050,199	40,769,018
Total Instruction	<u>587,097,476</u>	<u>594,509,650</u>
Pupil transportation	70,433,794	77,363,591
Community services	3,419,962	3,124,667
Interest on long-term debt	17,931,983	18,814,372
Total Expenses	<u>774,851,111</u>	<u>800,404,517</u>
Increase (decrease) in net position	(1,038,561)	16,924,069
Net Position - Beginning	<u>89,514,461</u>	<u>88,475,900</u>
Net Position - Ending	<u>\$ 88,475,900</u>	<u>\$ 105,399,969</u>

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

Charges for services increased by approximately \$0.5 million primarily due to enrollment and tuition rate increases for students from Districts outside of the City who are placed within the City's residential, medical, or incarceration facilities.

Program revenues from operating grants and contributions increased by approximately \$4.8 million, as compared to the previous year. The primary reason for this increase was the adding of an additional age level to the District's full day PreK program. During the 2015-16 school year, the District received an expansion grant for its full-day, PreK program to include 3-year-old students. This expansion also required the modification and conversion of a number classrooms and programs to accommodate the new age level.

State and Federal aid increased by approximately \$35.0 million during 2015-16 as compared to the previous year. The net increase is primarily attributable to a \$31.8 million increase 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. Additionally, during 2015-16 the State began payment of Charter School Supplemental Basic Tuition, which did not exist during 2014-15. These funds are meant to provide State support of Charter schools and are in addition to basic tuition payments that the District pays. The State reimburses school districts for these supplemental tuition payments at a rate of \$350 per student attending a Charter school. The District received approximately \$1.0 million of this aid during fiscal 2015-16. The remainder of the increase of approximately \$1.5 million was primarily due to an increase in Medicaid revenue received during fiscal 2015-16 as compared to the previous year, due to increased efforts in the collection of parental consent forms necessary for Medicaid billing, as well as the implementation of enhancements to the existing Medicaid billing system.

Lottery aid decreased by approximately \$1.3 million during 2015-16 as compared to the previous year. The amount of Lottery aid awarded to the District each year is determined by the State and is contingent upon the amount of lottery sales from year to year.

Other revenue increased by approximately \$4.5 million, as compared to the previous year. This increase was due to increases in self-insurance recoveries and premiums on debt sales which occurred during fiscal 2015-16.

Expenditures in general support categories for chief school administrator, finance, and staff increased by approximately \$1.6 million, \$1.3 million, and \$1.8 million respectively, as compared to the previous year. These increases were due to increases in liabilities for retiree health care, the District's share of the Employees' Retirement System (ERS) pension liability, and ERS payment deferrals as part of the elective pension smoothing program. For more information on these liabilities, refer to Notes V.B. and V.C. of this report.

Expenditures in the general support, central services category increased by approximately \$5.8 million overall. This increase is due to the same liabilities previously mentioned for other general support categories.

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

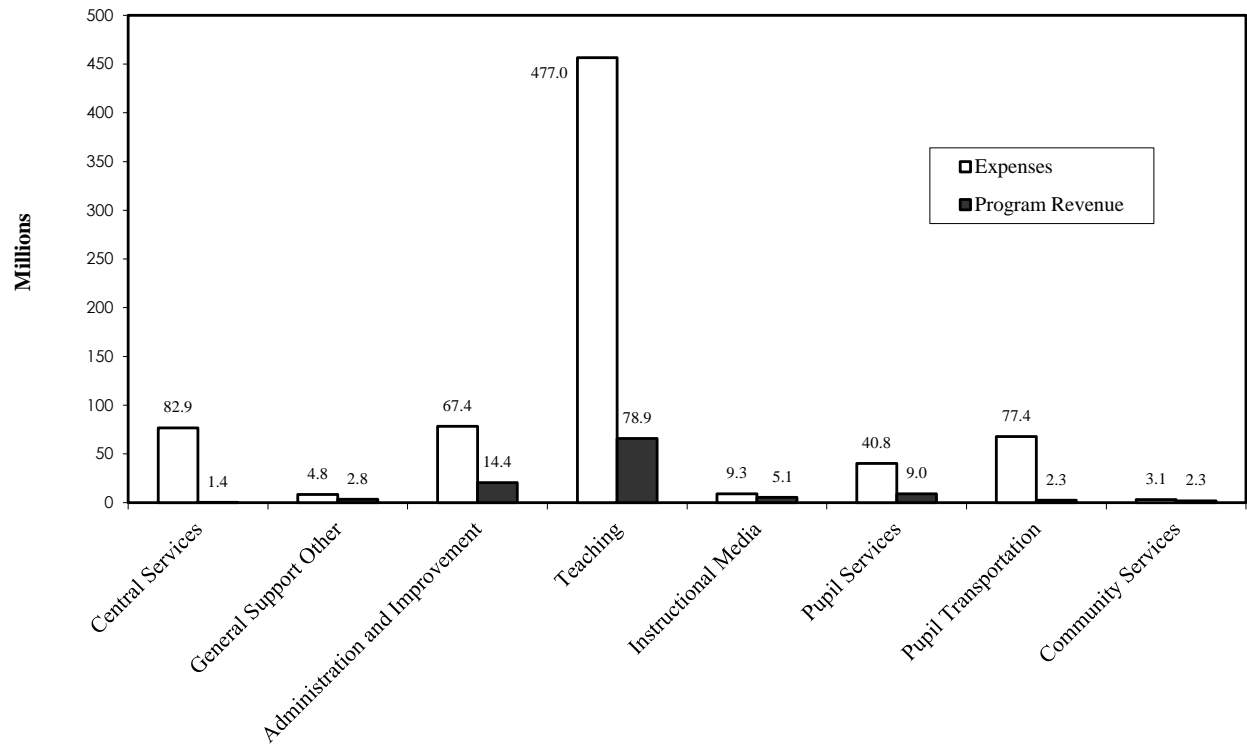
Instructional expenditures for "Administration and improvement" decreased by approximately \$6.8 million, as compared to the previous year. This decrease was primarily due to two factors: the expiration of the Teachers' Incentive Fund (TIF) program in 2014-15, which paid incentives to qualifying teachers, and the acquisition of additional computer software and hardware during 2014-15 resulting from the receipt of funds associated with a Microsoft class action settlement which were designated for that purpose. Therefore, the expenditures for these items were reduced in 2015-16, in comparison to the previous year.

Instructional expenditures for "Teaching" increased by approximately \$14.1 million, as compared to the previous year. Payments to charter schools for regular education tuition in 2015-16 increased by \$6.5 million, as compared to the previous year due to increases in enrollment and tuition. The State mandated tuition rate for basic regular education tuition, excluding special education services, increased from \$12,340 per student to \$12,440 per student, or \$100 per student. District students enrolled in Charter schools increased from 4,035 as of the end of fiscal 2014-15 to 4,513 as of the end of fiscal 2015-16, or a total of 478 students. Approximately \$2.7 million in expenditure increases were incurred to support District teaching initiatives such as Reading by Third Grade, The East High Educational Partnership with the University of Rochester, the Center for Youth Alternative to Suspension, Expanded Learning, Code of Conduct and Expeditionary Learning. Additional teaching expenditures of approximately \$3.7 million were incurred in an effort to meet the needs of special education students, particularly for those placed in non-District programs such as Charter schools, BOCES, and other public and private educational institutions. As more capital assets have been placed in service, particularly as a function of the Facilities Modernization Program (FMP), depreciation expense associated with the buildings and equipment used for instruction has increased by approximately \$0.7 million during 2015-16, as compared to the previous year. Any additional teaching increases are attributable to the contractual salary and benefits related increases of the District's teaching staff such as health and dental insurance for both active and retired teachers and the District's contribution to the New York State Teachers' Retirement System.

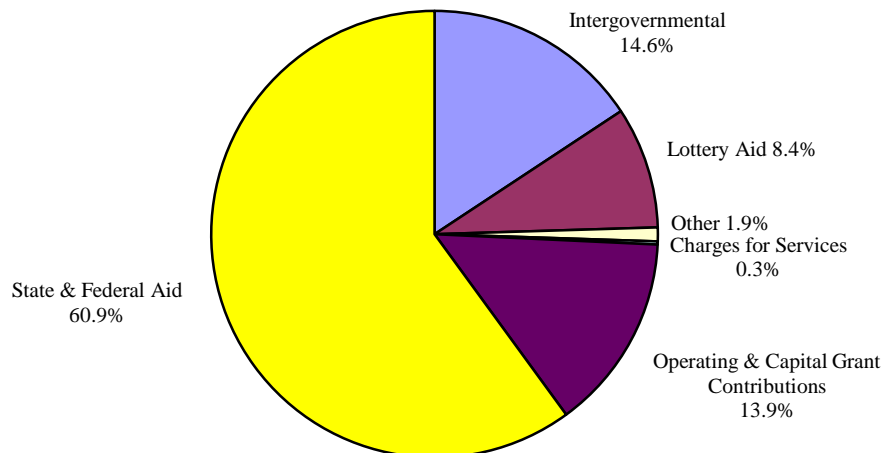
"Pupil transportation" increased by approximately \$6.9 million, as compared to the previous year. Pupil transportation expenditures increased due to additional routing requirements for four charter schools that were not serviced in the previous year, as well as additional charter schools that added grade levels during 2015-16. Additionally, the District increased transportation for several secondary schools in an effort to address safety and transit time concerns. Contractual salary and benefit increases for the program also were incurred during 2015-16.

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

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



Revenues by Source – Governmental Activities



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

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 \$83,121,076, a decrease of \$40,740,836 from the prior year's fund balance of \$123,861,912. Components of the fund balance consist of a non-spendable fund balance of \$973,422, a restricted fund balance of \$21,231,949, a committed fund balance of \$27,694,297, an assigned fund balance of \$26,224,274 and an unassigned fund balance of \$6,997,134. 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 this decrease of approximately \$40.7 million in the combined ending fund balance. While a Bond in the amount of \$18,880,000 was issued during the current fiscal year for the District's ongoing Capital Improvement Program (CIP), no Bonds were issued for the District's Facilities Modernization Program (FMP) due to the timing issues surrounding the transition from phase 1 to phase 2 of the 3-phase program. Since the FMP has a finite time-frame and is much greater in scope than the District's ongoing CIP, the Bond issues are much greater in amount. During years in which FMP Bonds are issued, this bond revenue is recorded in the RJSCB fund, and has a favorable impact on the overall fund balance. 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 \$360,810 in prepayments classified as non-spendable fund balance, \$8,162,364 of restricted fund balance to apply to future debt service payments, \$27,694,297 of committed fund balance, \$25,677,162 of assigned fund balance and \$8,935,385 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 2015-16, assigned and unassigned balances totaled

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

\$34,612,547 and were approximately 5.6% of the total fund operating expenditures of \$621,609,746.

In the aggregate, revenues and other financing sources increased by 5.6%, or approximately \$36.3 million, while expenditures and other financing uses increased by 3.3%, or approximately \$21.6 million from fiscal year 2014-15 to fiscal year 2015-16. The outpacing of increased revenues as compared to expenditures contributed to an increase in the fund balance of the General fund of \$4.2 million, as compared to the previous year.

Revenues from other local sources increased by approximately \$2.8 million, as compared to the previous fiscal year. This increase was primarily due to the satisfaction of a liability recorded in a previous year in association with the State's Contract for Excellent ("C4E") program, whereby the District did not maximize certain C4E related expenditures in a prior year, and therefore was required to reimburse the State for those expenditures. However, during 2015-16, it was determined that the District could claim the expenditures in a subsequent year thereby releasing its obligation to reimburse the State. As such, a revenue for the recovery of these prior year expenditures was recorded.

Revenues from state sources increased by approximately \$31.6 million, as compared to the previous fiscal year. This increase is primarily 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 a variety of factors such as the state's financial position, enrollment, special education requirements and poverty level.

Federal sources increased by approximately \$2.8 million, as compared to the previous year. Approximately \$1.0 of this increase is a result of increases in Medicaid reimbursements. The remaining \$1.8 million increase is due to revenue for Qualified School Construction Bond (QSCB) interest subsidies that were recorded in the JSCB fund in the previous year.

District operating expenditures in the General fund increased by \$19.6 million, or 3.2% over the previous fiscal year. Notable changes occurred as follows:

Expenditures in the category "General support – staff" increased by approximately \$1.4 million, or 23.0%, as compared to the previous year. The primary reason for this increase was a change to centralized budgeting and accounting for vacant positions requiring temporary labor. These costs were allocated to the various, applicable programs during 2014-15, however, during 2015-16, temporary labor costs resulting from vacancies were charged to general support staff instead.

Expenditures in the category "General support – central services" increased by approximately \$1.5 million, or 3.0%, as compared to the previous year. The primary reason for this increase was due to additional expenditures recorded during fiscal 2015-16 in the general fund for plant maintenance and operations, and any associated consultant services, as compared to the previous year.

Expenditure increases for instructional purposes are incurred in an effort to provide a quality education in the safest and most economical way for every student. As such, instructional expenditures for teaching increased by \$6.7 million, or 2.8%, during 2015-16 as compared to the previous year. A significant factor that drives the increase in instructional expenditures continues to be increases in tuition payments to Charter schools. During fiscal 2015-16, the District made

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

basic education tuition payments to Charter schools in the amount of \$56.3 million, as compared to \$49.8 million in the prior year, or an increase of \$6.5 million due to increased tuition rates of \$100 per student and additional enrollments of 478 students as compared to the previous year. Additional expenditure increases of approximately \$2.7 million during fiscal 2015-16 were incurred to support programs such as Reading by Third Grade, the East High Educational Partnership with the University of Rochester, the Center for Youth alternative to suspension, Expanded Learning schools, Code of Conduct and Expeditionary Learning. These increases were offset by a \$1.4 million decrease in textbook expenditures during fiscal 2015-16 due to the spike in expenditures that occurred in the previous year due to a major textbook refresh initiative driven by the Common Core and instructional salary decreases of approximately \$1.1 million due to increases in vacancies as compared to the previous year.

Expenditures for special programs such as students with disabilities increased by \$4.7 million, or 3.5%, as compared to the previous year. Of this increase, approximately \$1.4 million is attributable to increases in expenditures for special education tuition for students enrolled in Charter schools or District students who are placed in public schools outside of the District. An additional increase of \$2.3 million was attributable to increases in BOCES expenditures for special education related services, due to higher enrollments, rate increases and expanded service utilization as compared to the previous year. The majority of the remaining \$1.0 million of the \$4.7 million overall increase in expenditures for students with disabilities is primarily due to contractual salary and benefit increases.

Expenditures for other instructional related items such as administration and student support services decreased by \$2.2 million, or 2.1%, as compared to the previous year. Approximately \$1.8 million of this decrease is due to the phase-out of the Teachers' Incentive Fund (TIF) program in 2014-15, whereby the General fund was required to match awards paid to teachers as part of the grant. The remaining \$0.4 million decrease was primarily due to the vacancy of two of three grant writing positions in fiscal 2015-16 that were charged to the program during fiscal 2014-15. The third position was charged to a different program in 2015-16.

Pupil transportation expenditures increased by approximately \$5.5 million, or 8.3%, as compared to the previous year. This increase was primarily due to the following factors: annual increases in employee benefits and contractual salaries, increased routing requirements for Charter schools and the grow-out of the Expanded Learning programs.

Debt service principal expenditures increased by approximately \$1.2 million, or 41.0%, as compared to the previous year due to amortized BAN payments recorded in the General fund. Similarly, expenditures for transfers out increased by approximately \$2.0 million, or 3.6%, as compared to the previous year due to amortized FMP Bond payments.

Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2014-15 to fiscal year 2015-16, as the Special Aid fund maintains a "zero" fund balance from year to year. Revenues and other sources and expenditures and other uses increased by approximately \$4.7 million, or 4.3%, as compared to the previous fiscal year.

The composition of the grants awarded to the District sourced from federal and state funding changed significantly between fiscal years. Revenues from state sources increased by approximately \$10.7 million, or 25.4%, while revenues from Federal sources decreased by

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

approximately \$5.1 million, or 8.1%, as compared to the previous year. The reductions in federal awards were primarily due to the elimination of the Federal American Recovery Reinvestment Act (ARRA) grants that expired during 2014-15. Due to Federal funding constraints, ARRA funds were abolished during 2014-15; these grants included the Teacher Incentive Fund, Race to the Top, School Innovation Fund and Strengthening Teacher and Leader Effectiveness. Approximately \$4.3 million of the \$10.7 million increase in state funding in 2015-16 was associated with funding for the 3-year-old expansion, Pre-Kindergarten program which was implemented in 2015-16. An additional \$3.5 million of the overall increase in State funding during 2015-16 was attributable to a new grant awarded to the District to support Expanded Learning at various District schools. The goal of the Expanded Learning program is to raise student achievement by providing more individualized learning time. Expanded time schools are also able to set aside whole periods each day to focus on small group interventions to address and overcome student learning deficits. The remaining \$2.9 million increase is primarily attributable to the receipt of new awards for persistently struggling schools as part of the State Receivership initiative.

School Food Service

Revenues increased by approximately \$1.0 million, or 4.5%, in the School Food Service fund during fiscal 2015-16 as compared to the prior year, while expenditures increased by approximately \$3.6 million, or 17.5%.

Approximately \$0.3 million overall revenue increase in the Food Service fund is attributable to increases in surplus food commodities. Surplus food commodities are foods that are donated from the Federal government to the District. In accordance with governmental accounting principles, these commodities are recorded as a revenue and an expenditure at an amount equal to the commodity value. An additional \$0.6 million in revenue increases were due to increases in the State's per meal reimbursement rate. During fiscal year 2015-16, the District received an additional .05 for each lunch served, .02 for each snack served and .04 for each breakfast served in reimbursement from the State. The remaining \$0.1 million increase in revenue in the Food Service fund is attributable to higher participation in summer meal programs and the addition of meal service to the Rochester Prep Academy charter school.

Approximately \$1.2 million of the \$3.6 million increase in expenditures is attributable to a write-off of a receivable due from Aramark, the previous food service contractor, for reimbursement of food processing costs. The District continues to pursue the collection of these food processing costs as well as other contractual performance reimbursements from Aramark, however, the status of collectivity is uncertain as of June 30, 2016. Contractual salary and benefit increases as compared to the previous year contributed to an additional \$0.5 million in expenditure increases. The remaining \$1.9 million in expenditure increases are primarily due to an increase in the cost of meals sold. Under the former food service management company, Chartwells, the District's cost per meal was \$0.86 per meal. However, the management company determined that they could not operate under this cost structure and therefore exercised their early-termination option. As a result, the District reverted to self-managing the District's food service operation at the end of fiscal 2014-15. As such, the District committed to operating at a \$1.03 cost per meal level, the forecasted break-even level of \$0.17 per meal higher, in an effort to increase the quality and variety of food offered to our students.

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

Debt Service

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

No fund balance existed in the Debt Service fund at the end of fiscal 2015-16. 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 2015-16 increased by \$3.7 million from the prior year. The increase is the net result of recording approximately \$25.6 million in revenue and other funding sources less \$21.9 million in expenditures and other funding uses for the year.

Revenues in the Capital fund increased by approximately \$0.1 million as compared to the previous year. This increase is attributable to funding received by the District resulting from the settlement of a class-action lawsuit associated with prior computer expenditures as well as additional funding received by the City to support recreational center improvements. Expenditures decreased by \$1.2 million as compared to the prior year, or approximately 5.3% due to a reduction in the amount of planned construction during fiscal year 2015-16.

Other financing sources increased by \$18.9 million during fiscal year primarily due to the conversion of BANs to bonds. The City, on behalf of the District, converts BANs to bonds when long-term interest rates make it advantageous to do so. No such conversions occurred during fiscal year 2014-15, however, there were \$20.0 million in BANs either converted to bonds or redeemed during fiscal 2015-16. This was offset by a reduction of \$1.0 million in interfund transfers to the Capital fund during fiscal year 2015-16 as compared to the previous year. In addition, there was a \$0.1 million reduction in other funding sources in fiscal year 2015-16, as compared to the prior year. This comparative reduction was associated with the issuance of lease financing for copiers.

Rochester Joint Schools Construction Board (RJSCB)

Under the provisions of GASB Statement No. 61, the RJSCB is presented as a blended component unit of the District. The fund balance of the RJSCB decreased by \$47.2 million as compared to the previous year. This decrease is the result of ongoing expenditures for capital projects in the absence of the issuance of any new bonds during 2015-16.

Revenues in the RJSCB fund decreased by approximately \$1.9 million as compared to the previous year. Beginning in fiscal year 2015-16, the federal funds for Qualified School Construction Bond ("QSCB") subsidies that are associated with reimbursements for certain revenue bond interest payments are no longer recorded in the RJSCB fund. Per provisions contained within the Indenture of Trust agreement associated with the Series 2012B bonds, the District instructed the Trustee to begin paying such QSCB federal subsidy payments directly to the District, effective fiscal year 2015-16. These federal subsidy payments previously recorded within the RJSCB fund are now recorded as revenue within the District's General fund.

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

The RJSCB recorded capital outlay expenditures of \$44.9 million for the fiscal year 2015-16, as compared to \$36.8 million in capital outlay expenditures during 2014-15. The increase in capital outlay expenditures of \$8.1 million, or approximately 22.0%, is due to construction improvements occurring as a result of the ramp up of major construction renovation projects at the final two school buildings, School #12 and Monroe High, as the RJSCB approaches near completion of Phase I of the Facilities Modernization Program.

Budgetary Highlights – General Fund

The original 2015-16 budget was decreased/amended by (\$1,646,253) as follows:

<u>Revenues</u>	
Local sources	\$ (1,806,082)
State sources	159,779
Federal sources	-
	<hr/> (1,646,303)
Other financing sources - transfers in	50
Appropriated fund balance	-
	<hr/> \$ (1,646,253) <hr/>
<u>Expenditures</u>	
General support	\$ 556,450
Instructional	(12,897,494)
Pupil transportation	8,438,823
Community services	59,943
Employee benefits	1,777,501
Debt service	1
	<hr/> (2,064,776)
Other financing uses - transfers out	418,523
	<hr/> \$ (1,646,253) <hr/>

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 increased by \$0.2 million due to increases of \$2.1 million in Special Services aid, \$1.3 million in Legislative appropriations, and \$1.2 million in Special Education excess cost aids which were partially offset by the reclassification of \$3.3 million originally budgeted in the General Fund to the Special Aid Fund for the East High School receivership grant, as well as decreases of \$0.5 million in Transportation Aid and \$0.4 million in Building Aid

The most significant general fund expenditure budget changes occurred in the instructional and pupil transportation categories. The instructional category decreased by \$12.9 million primarily as a result of reduced teaching staff based on student needs and declining enrollments. The pupil transportation category increased by \$8.4 million as a result of additional bus routes needed to service students in expanded learning programs and Charter schools.

Final Budget to Actuals – General Fund

Three general fund expenditure categories experienced significant favorable variances between final budget and actual expenditures: special apportionment programs, other instructional, and central services. The favorable variances in special apportionment programs and other instructional programs occurred primarily as a result of reduced spending for special education salaries due to existing vacancies. The favorable variances in central services result

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

from reduced spending on custodial services as well as contracts and supplies for building maintenance.

Capital Asset and Debt Administration

Capital assets. The District's capital assets, net of depreciation, for its governmental activities as of June 30, 2016 amounted to \$594,495,000. 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 \$21,948,750.

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

- Ongoing repairs and improvements. The District added \$19.7 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 \$44.9 million in capital assets for the District during fiscal year 2015-16. 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>2014-15</u>	<u>2015-16</u>
Land	\$ 17,464,438	\$ 17,349,160
Buildings & Improvements	523,712,087	502,603,035
Equipment & Other	13,354,830	11,815,963
Construction in Progress	18,014,895	62,726,842
Total	<u><u>\$ 572,546,250</u></u>	<u><u>\$ 594,495,000</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 as follows:

	Governmental Activities	
	<u>2014-15</u>	<u>2015-16</u>
RCSD Bonds	\$ 137,920,000	\$ 139,270,000
RJSCB Bonds	257,970,000	245,880,000
Total	<u><u>\$ 395,890,000</u></u>	<u><u>\$ 385,150,000</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 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

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

purposes. The debt limit at June 30, 2016 was \$211,601,950, leaving a debt contracting margin of \$54,331,950. 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.H. 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. The District's largest single revenue source is New York State aid; therefore, local economic challenges are further impacted by the State's struggle to respond to its own budget constraints. The District began the 2016-17 budget planning process with a projected \$40 million deficit, due largely to contractual salaries and employee benefits as well as the expansion of charter schools. Due to contractual salary increases and staffing needs, salary compensation and employee benefit costs are growing by \$27 million. Due to the continuing expansion of seven existing charter schools and the opening of one new charter school, the most significant cost increase planned for the 2016-17 fiscal year is the charter school tuition increase of \$11.1 million. 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. To reduce costs in the 2016-17 budget, we have identified more than \$14 million in efficiencies, nearly eliminated the budget contingency, and made other difficult choices. Key changes include the reduction of substitute teacher costs through fewer vacancies and improved monitoring of substitute usage, as well as the reduction of transportation costs through consistent tiered school schedules that allow transportation providers to operate more efficiently. Despite these cost reductions, the 2016-17 budget sustains funding for District priorities such as the East High School Educational Partnership Organization, expanded learning time, and reducing summer learning loss. The District is also providing resources to support improvement plans at schools with low academic performance and investing in services that help schools to better meet the social and emotional needs of students.

General Fund

The 2016-17 original budget of \$726,480,675 represents an increase of approximately 6.3% from the 2015-16 amended budget of \$683,618,629. The increase is primarily 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
AS OF JUNE 30, 2016

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 98,441,887
Restricted Cash & Cash Equivalents	37,277,984
Accounts Receivable	5,091,687
Due from Other Governments	64,893,817
Prepayments and Deposits	448,967
Inventories	602,488
Net Long Term Pension Asset - Proportionate Share	172,797,638
Capital Assets (net of accumulated depreciation):	
Land	17,349,160
Buildings & Improvements	502,603,035
Equipment & Other	11,815,963
Construction In Progress	62,726,842
Total Assets	974,049,468
Deferred Outflows of Resources	
Deferred Charge on Refunding, Net of Amortization	1,460,656
Deferred Pension Outflow	36,502,570
Deferred Pension Outflow - Contributions Subsequent to Measurement Date	36,752,678
Total Deferred Outflows of Resources	74,715,904
Liabilities	
Accounts Payable and Accrued Liabilities	53,948,299
Due To Fiduciary Funds	8,248,237
Due To Other Governments	2,238,562
Due To Retirement Systems	38,972,399
Unearned Revenue	2,449,767
Notes Payable - BANs	18,000,000
Noncurrent Liabilities:	
Retainages Payable	1,925,050
Due Within One Year	48,556,564
Due in More Than One Year	666,902,082
Net Long Term Pension Liability - Proportionate Share	37,551,307
Total Liabilities	878,792,267
Deferred Inflows of Resources	
Deferred Pension Inflow	64,573,136
Total Deferred Inflows of Resources	64,573,136
Net Position	
Net Investment in Capital Assets	218,698,255
Restricted	21,231,949
Unrestricted (Deficit)	(134,530,235)
Total Net Position	\$ 105,399,969

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, 2016**

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	\$ 1,184,391	\$ -	\$ -	\$ (1,184,391)
Chief School Administrator	2,509,063	-	-	(2,509,063)
Finance	7,418,291	-	-	(7,418,291)
Staff	7,755,959	-	-	(7,755,959)
Central Services	82,909,676	276,366	1,089,728	(81,543,582)
Other	4,814,857	-	2,761,234	(2,053,623)
Total General Support	106,592,237	276,366	3,850,962	(102,464,909)
Instruction:				
Administration and Improvement	67,388,814	-	14,446,806	(52,942,008)
Teaching	477,002,393	1,962,993	76,965,322	(398,074,078)
Instructional Media	9,349,425	-	5,147,867	(4,201,558)
Pupil Services	40,769,018	-	8,992,013	(31,777,005)
Total Instruction	594,509,650	1,962,993	105,552,008	(486,994,649)
Pupil Transportation	77,363,591	-	2,283,969	(75,079,622)
Community Services	3,124,667	-	2,300,878	(823,789)
Interest on Long-Term Debt	18,814,372	-	-	(18,814,372)
Total Governmental Activities	\$ 800,404,517	\$ 2,239,359	\$ 113,987,817	(684,177,341)
General Revenues:				
Intergovernmental				119,100,000
Use of Money and Property				753,878
State and Federal Aid				497,713,112
Lottery Aid				68,357,659
Miscellaneous				15,176,761
Subtotal, General Revenues				701,101,410
Excess (Deficiency) of Revenues over Expenses				16,924,069
Net Position - Beginning				88,475,900
Net Position - Ending				\$ 105,399,969

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET, GOVERNMENTAL FUNDS
JUNE 30, 2016**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 98,395,901	\$ -	\$ 15,907
Restricted cash and cash equivalents	5,914,712	-	-
Receivables:			
Accounts	726,260	121,142	17,486
Due from other funds	26,772,157	-	40,226
Due from other governments	27,167,459	33,705,747	3,981,240
Prepayments and deposits	435,810	3,033	-
Inventories at cost	-	-	602,488
Total assets	<u>\$ 159,412,299</u>	<u>\$ 33,829,922</u>	<u>\$ 4,657,347</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 33,937,992	\$ 4,027,758	\$ 712,818
Due to other funds	21,731,885	19,376,765	2,516,704
Due to other governments	822,015	1,415,906	-
Due to retirement systems	32,088,720	6,561,395	286,502
Unearned revenues	1,669	2,448,098	-
Notes payable - BANS	-	-	-
Total liabilities	<u>88,582,281</u>	<u>33,829,922</u>	<u>3,516,024</u>
Fund balances:			
Nonspendable			
Inventory	-	-	602,488
Prepayments	360,810	-	-
Restricted For			
Capital expenditures	-	-	-
Debt service	8,162,364	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	5,804,539	-	-
OPEB	20,889,758	-	-
Assigned For			
Subsequent year's expenditures	15,000,000	-	-
Facilities modernization local share	6,788,230	-	-
Health insurance	3,700,000	-	-
Instructional support	164,816	-	-
General support	24,116	-	-
School food service	-	-	538,835
Capital expenditures	-	-	-
Unassigned	8,935,385	-	-
Total fund balance	<u>70,830,018</u>	<u>-</u>	<u>1,141,323</u>
Total liabilities and fund balances	<u>\$ 159,412,299</u>	<u>\$ 33,829,922</u>	<u>\$ 4,657,347</u>

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

Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ 30,079	\$ 98,441,887
7,638,775	23,724,497	37,277,984
-	2,263	867,151
11,346,060	-	38,158,443
39,371	-	64,893,817
-	10,124	448,967
-	-	602,488
<u>\$ 19,024,206</u>	<u>\$ 23,766,963</u>	<u>\$ 240,690,737</u>

\$ 2,926,034	\$ 7,897,651	\$ 49,502,253
-	2,781,326	46,406,680
641	-	2,238,562
35,782	-	38,972,399
-	-	2,449,767
18,000,000	-	18,000,000
<u>20,962,457</u>	<u>10,678,977</u>	<u>157,569,661</u>

-	-	602,488
-	10,124	370,934
-	13,069,585	13,069,585
-	-	8,162,364
-	-	1,000,000
-	-	5,804,539
-	-	20,889,758
-	-	15,000,000
-	-	6,788,230
-	-	3,700,000
-	-	164,816
-	-	24,116
-	-	538,835
-	8,277	8,277
(1,938,251)	-	6,997,134
<u>(1,938,251)</u>	<u>13,087,986</u>	<u>83,121,076</u>
<u>\$ 19,024,206</u>	<u>\$ 23,766,963</u>	<u>\$ 240,690,737</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2016

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

Total fund balances	\$ 83,121,076
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	531,768,158
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	62,726,842
Deferred charges on refunding net of amortization are not available resources and, therefore, are not reported in the funds.	1,460,656
Pension assets (TRS) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	172,797,638
Long-term receivables are not collectible in the current period and, therefore, not reported in the funds.	4,224,536
Long-term liabilities, including bonds and retainages payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(660,209,147)
Pension liabilities (ERS) are not due and payable in the current period and, therefore, are not reported in the funds.	(37,551,307)
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.	8,682,112
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(4,446,046)
Deferred amounts related to pension deferrals payable in future years are not a use of current resources and therefore, are not reported in the funds.	(19,694,484)
Premium associated with issuance of bonds are a liability in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(37,480,065)
Net position of governmental activities	<u><u>\$ 105,399,969</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(continued next page)

	General	Special Aid
Revenues		
Local sources:		
Use of money and property (interest and rent)	\$ 319,731	\$ -
Intergovernmental	119,100,000	-
Other	12,546,169	2,692,931
State sources	539,268,982	52,657,407
Federal sources	4,532,569	57,603,679
Surplus food	-	-
Sales	-	-
Total revenues	<u>675,767,451</u>	<u>112,954,017</u>
Expenditures		
Current:		
General Support:		
Staff	7,472,227	-
Central services	50,399,805	55,928
Other	10,461,261	2,880,433
Instructional:		
Teaching - regular school	240,614,956	32,833,595
Special apportionment programs	135,402,982	14,866,690
Other	100,500,716	59,049,243
Pupil transportation	71,480,005	2,283,969
Community services	714,663	2,300,878
Cost of sales	-	-
Debt service:		
Principal	4,042,091	-
Interest	521,040	-
Capital outlay	-	-
Total expenditures	<u>621,609,746</u>	<u>114,270,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,157,705</u>	<u>(1,316,719)</u>
Other Financing Sources (Uses)		
Bond issuance	-	-
BANs redeemed from appropriations	-	-
Transfers in	4,981,432	1,316,719
Transfers out	(54,908,102)	-
Total other financing sources (uses)	<u>(49,926,670)</u>	<u>1,316,719</u>
Net change in fund balances	4,231,035	-
Fund balances - beginning	66,598,983	-
Fund balances - ending	<u>\$ 70,830,018</u>	<u>\$ -</u>

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

School Food Service	Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ 2,668,307	\$ -	\$ 13,492	\$ 3,001,530
-	-	42,222	-	119,142,222
144,344	-	326,827	-	15,710,271
539,406	-	-	-	592,465,795
20,681,829	-	-	-	82,818,077
1,415,119	-	-	-	1,415,119
132,022	-	-	-	132,022
22,912,720	2,668,307	369,049	13,492	814,685,036
-	-	-	-	7,472,227
-	-	-	380,665	50,836,398
12,738,887	-	-	-	26,080,581
-	-	-	-	273,448,551
-	-	-	-	150,269,672
-	-	-	-	159,549,959
-	-	-	-	73,763,974
-	-	-	-	3,015,541
11,651,513	-	-	-	11,651,513
-	29,620,000	-	-	33,662,091
-	18,384,383	-	-	18,905,423
-	-	21,879,389	44,890,553	66,769,942
24,390,400	48,004,383	21,879,389	45,271,218	875,425,872
(1,477,680)	(45,336,076)	(21,510,340)	(45,257,726)	(60,740,836)
-	-	18,880,000	-	18,880,000
-	-	1,120,000	-	1,120,000
-	48,004,383	5,237,000	350,000	59,889,534
-	(2,668,307)	-	(2,313,125)	(59,889,534)
-	45,336,076	25,237,000	(1,963,125)	20,000,000
(1,477,680)	-	3,726,660	(47,220,851)	(40,740,836)
2,619,003	-	(5,664,911)	60,308,837	123,861,912
\$ 1,141,323	\$ -	\$ (1,938,251)	\$ 13,087,986	\$ 83,121,076

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, 2016

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

Net change in fund balances -- total governmental funds	\$ (40,740,836)
Proceeds from 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.	(18,880,000)
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)
Receivables recorded in the statement of activities that will not be collected in the current financial period are not recorded in the funds.	4,224,536
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.	33,132,025
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 (ERS (\$1,002,128), TRS (\$454,040))	(1,456,168)
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.	(23,213,782)
Capital projects expenditures for construction in progress are recorded in funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	64,323,091
Capital projects expenditures for capital assets 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.	1,426,386
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(32,126,478)
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.	15,642,986
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(27,317,235)
Retainages recorded in the statement of activities and do not use current financial resources are not reported as an expenditure in the funds.	(1,925,050)
Increase 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 \$29,511,255, TRS (\$19,814,118))	(49,325,373)
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 \$27,724,775, TRS (\$64,884,155))	92,608,930
The net interest and premiums 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.	792,477
Changes in net position of governmental activities	<u>\$ 16,924,069</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, 2016

	Agency Funds	Private Purpose Trusts
Assets		
Restricted Cash and Cash Equivalents	\$ 495,529	\$ 250,952
Due from Other Governments	886	-
Due from Other Funds	8,188,473	59,764
Total Assets	<u>\$ 8,684,888</u>	<u>\$ 310,716</u>
Liabilities and Net Position		
Accrued Liabilities	\$ 6,175,654	\$ 68
Accounts Payable	-	95
Due to Student Groups	111,795	-
Due to Retirement Systems	2,397,439	-
Total Liabilities	<u>8,684,888</u>	<u>163</u>
Net Position		
Held in Trust for Scholarships and Awards	-	310,553
Total Liabilities and Net Position	<u>\$ 8,684,888</u>	<u>\$ 310,716</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, 2016

	Private Purpose Trusts
Additions:	
Interest	\$ 301
Scholarships	5,251
Gifts and Donations	11,014
Total additions	<u>16,566</u>
Deductions:	
Scholarships	36,305
Gifts and Donations	2,714
Total deductions	<u>39,019</u>
Change in Net Position	(22,453)
Net Position - Beginning	<u>333,006</u>
Net Position - Ending	<u><u>\$ 310,553</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, 2016

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, 2015 to June 30, 2016. 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 Student 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 (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,

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$2,668,307 for fiscal year 2015-16, 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.

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. The School Food Service fund recorded \$602,488 in inventory at June 30, 2016. This inventory is classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the General fund recorded prepaid expenditures in the amount of \$360,810. The majority of this amount is associated with the payment of July 2016 self-insured health administrative and stop loss fees. Additionally, prepayments of \$3,033 for travel expenses were recorded in the Special Aid fund, and \$10,124 for prepaid insurance was recorded in the RJSCB fund. These prepayments will be recorded as expenditures during fiscal year 2016-17. 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. Prepayments are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued and it is based on past employee service and current pay rates in effect at the end of the fiscal year. All vacation pay is accrued when incurred in the fund basis and government-wide financial statements. A current liability of \$4,145,920 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2015-16. A current liability of \$1,880,548 and a non-current liability of \$1,668,116 have been recorded on the Statement of Net Position.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$1,669 in the General fund at June 30, 2016 for lease prepayments associated with the utilization of the Pleasant St. parking lot and for July COBRA insurance. The District also received cash in advance of expenditures in the amount of \$2,448,098 for Special Aid fund projects during fiscal year 2015-16. These funds represent receipts for various grants that were not fully spent as of June 30, 2016. As the funds are spent during fiscal year 2016-17, 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 do not receive a payment for any unused, accumulated sick leave as part of their final payroll.

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.

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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 use of money and property.

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.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2015-16 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, 2016, the District has \$17,759,464 in Capital fund encumbrances and \$188,932 in General fund encumbrances.

F. Use of Estimates

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

G. Subsequent Events

As part of the District's ongoing capital improvement program, the City of Rochester (City) issued new Bond Anticipation Notes (BANs) in the amount of \$14,001,000 and BAN renewals in the amount of \$17,565,000 on behalf of the District on August 4, 2016. Additionally, on this same date, the City refunded existing general obligation bonds Series 2006A and 2006B in the total amount of \$21,295,000 outstanding as of June 30, 2016. The proceeds of these bonds will be used to purchase a portfolio of direct obligations of the U.S. Government. The principal of and investment income of which will be sufficient to pay the maturing principal of, interest on and redemption premium payable, if any, with respect to the refunded bonds, and pay costs of issuance related to the bonds. These BANs will be used to pay for construction improvements in association with the District's annual capital improvement program (CIP).

On August 9, 2016, the City issued a BAN in the amount of \$32,000,000 on behalf of the Rochester Joint School Construction Board with a March 1, 2017 maturity date. This BAN will be used to provide financing for the second phase of the Rochester Joint School Construction Board (the "RJSCB") modernization program.

These financial statements have not been updated for subsequent events occurring after October 25, 2016 which is the date these financial statements were made available to be issued.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 and retainages payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$660,209,147) difference are as follows:

Bonds payable	\$ (385,150,000)
Compensated absences	(1,668,116)
Other post-employment benefits	(230,579,323)
Contractual obligations	(4,010,017)
Due to other governments	(12,666,667)
Claims payable	(24,209,974)
Retainages payable	(1,925,050)
	<u>\$ (660,209,147)</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, “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 \$33,132,025 difference are as follows:

Bond principal payments	\$ 29,620,000
Contractual obligation principal payments	3,512,025
	<u>\$ 33,132,025</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 (\$23,213,782) difference are as follows:

Claims payable	\$ (603,545)
Other post-employment benefits	(22,927,447)
Compensated absences	317,210
	<u>\$ (23,213,782)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 2015-16 began on July 1, 2015 and ended on June 30, 2016. 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (\$1,646,253) for the General Fund and \$3,458,400 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.

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 \$111,795 reported in the Agency fund restricted for extraclassroom activities, \$7,638,775 reported in the Capital Projects fund for unexpended bond proceeds, \$23,724,497 reported in the RJSCB fund for unexpended bond proceeds, \$5,914,712 reported in the General fund for funds held in trust for future debt payments, scholarships and awards and \$634,686 reported in the Private Purpose Trust fund and Agency funds for medical reimbursements and scholarships.

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;

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Cash - At year end, the District’s cash was \$66,209,089. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

Cash Equivalents - At year-end, the District had cash equivalents in the form of money markets at fair value of \$70,257,263. 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, 2016, 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>	<u>Total</u>
\$726,260	\$121,142	\$17,486	\$2,263	\$867,151

The General fund receivable primarily represents funds due to the District for facilities rental, retiree health reimbursements, utility reimbursements due the District from external parties utilizing various District properties, 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 outstanding food rebates and amounts due from Charter Schools for meals served during fiscal 2015-16. The RJSCB fund receivable was primarily for interest earnings.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

An amount of \$4,224,536 that management anticipates collection of in more than one year was recorded in the government-wide financial statements. This amount relates to the reimbursement of various items such as food commodity processing costs, trash hauling and equipment purchase reimbursements in accordance with the contractual provisions of a former food service management company which the District utilized during the fiscal years of 2009-10 through a portion of 2014-15.

C. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,464,438	\$ -	\$ 115,278	\$ 17,349,160
Construction in Progress	18,014,895	64,323,091	19,611,144	62,726,842
Total capital assets not being depreciated	<u>35,479,333</u>	<u>64,323,091</u>	<u>19,726,422</u>	<u>80,076,002</u>
Capital assets being depreciated:				
Buildings & Improvements	815,855,991	17,978,835	23,699,341	810,135,485
Equipment & Other	55,997,958	3,058,695	3,502,616	55,554,037
Total capital assets being depreciated	<u>871,853,949</u>	<u>21,037,530</u>	<u>27,201,957</u>	<u>865,689,522</u>
Less accumulated depreciation for:				
Buildings & Improvements	(292,143,904)	(27,589,738)	(12,201,192)	(307,532,450)
Equipment & Other	(42,643,128)	(4,536,740)	(3,441,794)	(43,738,074)
Total accumulated depreciation	<u>(334,787,032)</u>	<u>(32,126,478)</u>	<u>(15,642,986)</u>	<u>(351,270,524)</u>
Total capital assets being depreciated, net	<u>537,066,917</u>	<u>(11,088,948)</u>	<u>(11,558,971)</u>	<u>514,418,998</u>
District capital assets, net	<u>\$ 572,546,250</u>	<u>\$ 53,234,143</u>	<u>\$ 31,285,393</u>	<u>\$ 594,495,000</u>

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

Instructional teaching regular school	\$ 27,382,201
General support central services	4,139,099
Pupil transportation	546,564
Community services	58,614
	<u>\$ 32,126,478</u>

1. Significant Construction Commitments

The District, along with the RJSCB, capitalized \$65,749,477 of assets during fiscal year 2015-16. These disbursements were for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$138.5 million will be disbursed by the District and \$458.4 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 2015-16, the District had no material asset impairments or insurance recoveries.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016.

Fund	Receivable	Payable
General	\$ 26,772,157	\$ 21,731,885
Special Aid	-	19,376,765
School Food Service	40,226	2,516,704
Capital Projects	11,346,060	-
RJSCB	-	2,781,326
Private Purpose Trusts	59,764	-
Agency	8,188,473	-
Total	\$ 46,406,680	\$ 46,406,680

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, 2016.

Fund	Transfers In	Transfers Out
General	\$ 4,981,432	\$ 54,908,102
Special Aid	1,316,719	-
Debt Service	48,004,383	2,668,307
Capital Projects	5,237,000	-
RJSCB	350,000	2,313,125
Total	\$ 59,889,534	\$ 59,889,534

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

E. Due from Other Governments

Fund	Local Govts.	State Govt.	Federal Govt.	Total
General	\$ 6,058,345	\$ 19,349,033	\$ 1,760,081	\$ 27,167,459
Special Aid	1,752,762	17,716,021	14,236,964	33,705,747
School Food Service	15,400	161,980	3,803,860	3,981,240
Capital Projects	39,371	-	-	39,371
Total	\$ 7,865,878	\$ 37,227,034	\$ 19,800,905	\$ 64,893,817

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 2015-16 for operating leases was approximately \$263,000 and \$3.6 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, 2016:

Fiscal Year	Receipts	Payments
2016-17	\$ 360,250	\$ 2,160,623
2017-18	360,250	2,177,854
2018-19	4,000	2,164,756
2019-20	4,000	2,166,669
2020-21	4,000	2,168,596
	\$ 732,500	\$ 10,838,498

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

G. Short-Term Debt

All short-term debt was in the form of bond anticipation notes (BANs), which were used to provide funding for various capital construction and improvement projects. The amounts issued during fiscal 2015-16 are accounted for in the Capital fund. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid.

The schedule below details the changes in short-term debt for the year ended June 30, 2016:

	Balance			Balance
	June 30, 2015	Issues	Redeemed	June 30, 2016
Bond Anticipation Notes	\$ 20,000,000	\$ 18,000,000	\$ 20,000,000	\$ 18,000,000

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

H. Long-Term Debt

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, 2016:

	Balance June 30, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,985,326	\$ 7,272,346	\$ 7,589,556	\$ 1,668,116	\$ 1,668,116
Claims Payable	23,606,429	5,463,290	4,859,745	24,209,974	5,804,539
Other Post Employment Benefits	207,651,876	44,974,558	22,047,111	230,579,323	-
Due to Other Governments -					
New York State (NYS) Advance	13,333,333	-	666,666	12,666,667	666,667
NYS ERS Loan Payable	4,326,927	1,338,322	336,194	5,329,055	500,842
NYS TRS Loan Payable	13,911,389	454,040	-	14,365,429	-
Installment Purchase Debt	6,855,376	-	2,845,359	4,010,017	2,852,323
General Obligation Bonds -					
District Serial Bonds	137,920,000	18,880,000	17,530,000	139,270,000	19,820,000
FMP Serial Bonds	257,970,000	-	12,090,000	245,880,000	14,295,000
Premium	38,181,490	2,247,652	2,949,077	37,480,065	2,949,077
Total Long Term Liabilities	<u>\$ 705,742,146</u>	<u>\$ 80,630,208</u>	<u>\$ 70,913,708</u>	<u>\$ 715,458,646</u>	<u>\$ 48,556,564</u>

Compensated absences paid in fiscal year 2015-16 totaled approximately \$7.1 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2014-15. The new issues / additions reflect the new long-term liability at June 30, 2016. 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, 2014	\$ 23,014,224
Additions 2014-15	4,969,947
Payments 2014-15	<u>4,385,795</u>
Estimated claims June 30, 2015	<u>23,598,376</u>
Additions 2015-16	<u>5,471,343</u>
Payments 2015-16	<u>4,859,745</u>
Estimated claims June 30, 2016	<u><u>\$ 24,209,974</u></u>

Due to Other Governments includes a lottery aid advance from the New York State Education Department (SED) and deferred pension liabilities under the NYS ERS Alternate Stabilization Program and the NYS TRS Stable Contribution Offer.

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.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

contributions for repayment in future years. As part of the TRS pension smoothing program, a loan payable of \$14,365,429 at June 30, 2016 will be repaid in increments over 5 years beginning in 2018-19 and ending in 2023-24. The loan payable includes deferred amounts plus accrued interest less any loan reductions resulting from employer contribution, amortization and interest rate fluctuations. Total interest costs associated with these payments are projected to be \$2,878,707. As part of the ERS pension payment deferral program, a loan payable of \$5,329,055 at June 30, 2016 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 \$1,033,527.

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 District entered into no new agreements during 2015-16, in anticipation of a forthcoming contract renewal. The outstanding amount of this debt at June 30, 2016 was \$913,883.

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, 2016 was \$1,316,393 for Phase 1 and \$1,779,741 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 5.11%. The original amounts of these general obligation bonds are as follows:

Series	Issue Amt (000's)	Maturity Date	Interest Rate
RCSD: 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	-
2012 I	20,548	08/15/27	4.00
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	3.00
2013 II	27,015	02/01/29	5.00
RJSCB: 2012A	66,190	05/01/22	5.00
2012B	57,910	05/01/28	-
2013A	103,055	05/01/30	4.00
2015	44,225	05/01/31	-

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

As of June 30, 2016 the District had \$24,710,000 of authorized but unissued debt. The debt contracting margin of the District as of June 30, 2016 was \$54,331,950.

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, 2016. 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.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. \$24,995,000 of bonds outstanding are considered defeased at June 30, 2016.

The District paid no arbitrage to the Federal Government during 2015-16. 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 RJSCB Serial Bond payments outstanding as of June 30, 2016:

Fiscal Year Ending June 30	District Principal	District Interest	JSCB Principal	JSCB Interest	Total
2017	\$ 19,820	\$ 5,715	\$ 14,295	\$ 11,817	\$ 51,647
2018	19,105	4,870	15,025	11,702	50,702
2019	17,970	4,024	15,800	10,351	48,145
2020	17,280	3,208	16,610	9,561	46,659
2021	15,890	2,431	17,460	8,730	44,511
2022-26	39,095	4,927	96,895	33,332	174,249
2027-31	10,110	654	69,795	11,171	91,730
	<u>\$ 139,270</u>	<u>\$ 25,829</u>	<u>\$ 245,880</u>	<u>\$ 96,664</u>	<u>\$ 507,643</u>

I. 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, 2016 in the amount of \$18,000,000.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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's workers' compensation program is fully self-insured. This program is managed by a third party administrator.

The schedule below presents the calculation of the District's estimated claims at June 30, 2016 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The student accident program is no longer self-insured, effective fiscal 2014-15. Any claim payments made during fiscal 2015-16 were expenditures from prior year claims.

	Workers'	Student	
	Compensation	Accident	Total
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>
Estimated claims July 1, 2015	\$ 5,475,626	\$ 8,053	\$ 5,483,679
Claims incurred 2015-16	5,188,658	-	5,188,658
Payments and reductions 2015-16	4,859,745	8,053	4,867,798
Estimated claims June 30, 2016	<u>\$ 5,804,539</u>	<u>\$ -</u>	<u>\$ 5,804,539</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 \$4,145,920 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2015-16. A current liability of \$5,804,539 and a non-current liability of \$18,405,435 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

has committed \$5,804,539 of its fund balance for this purpose, which represents approximately 24.0% of the estimated total claims liability.

The District currently maintains a student accident insurance policy with a third-party insurance company.

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 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 NYSTRS 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 State's financial report as a pension trust fund. That report, including

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 31st. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 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.

	ERS	TRS
Measurement date	03/31/2016	06/30/2015
Net pension asset/(liability)	\$ (37,551,307)	\$ 172,797,638
District's portion of the Plan's total net pension asset/(liability)	0.233961%	1.663625%

For the year ended June 30, 2016, the District recognized pension expenses of (\$9,052,128), for TRS and \$12,634,847 for ERS, net of deferrals. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 189,756	\$ -	\$ 4,451,081	\$ 4,788,960
Changes of assumptions	10,013,801	-	-	-
Net difference between projected and actual earnings on pension plan investments	22,277,495	-	-	54,622,233
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,976,285	2,045,233	86,608	624,254
Total	\$ 34,457,337	\$ 2,045,233	\$ 4,537,689	\$ 60,035,447
District's contributions subsequent to the measurement date	\$ 2,953,715	\$ 33,798,963	-	-

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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
6/30/2017	\$ 7,661,873	\$ (21,873,143)
6/30/2018	7,661,873	(21,873,143)
6/30/2019	7,661,873	(21,873,143)
6/30/2020	6,934,029	9,242,063
6/30/2021	-	(438,783)
Thereafter	-	(1,174,065)

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	03/31/16	06/30/15
Actuarial valuation date	04/01/15	06/30/14
Interest rate	7.0%	8.0%
Salary scale	3.8%	4.01% - 10.91%
Decrement tables	04/01/10 - 03/31/15	07/01/05 - 06/30/10
	System's experience	System's experience
Inflation rate	2.5%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 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 of the target asset allocation percentages 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:

	Target Allocation		Long-Term Expected Real Rate of Return	
	ERS	TRS	ERS	TRS
			6/30/2015	3/31/2016
Measurement Date				
Asset Class:				
Domestic equities	37.0%	38.0%	6.5%	7.3%
International equities	18.0	13.0	7.7	8.6
Private equity	-	10.0	-	11.0
Real estate	10.0	8.0	4.6	8.3
Alternative investments	7.0	-	9.9	-
Absolute return strategies	20.0	3.0	1.9	6.8
Opportunistic portfolio	-	3.0	-	8.6
Real assets	-	3.0	-	8.7
Bond and mortgages	8.0	18.0	3.4	4.0
Cash	-	2.0	-	2.3
Inflation-indexed bonds	-	2.0	-	4.0
Total	<u>100.0%</u>	<u>100.0%</u>		

5. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 7.0% 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 (6.0% for ERS and 7.0% for TRS) or one percentage point higher (8.0% for ERS and 9.0% for TRS) than the current rate:

	Current		
	1% Decrease (6.0%)	Assumption (7.0%)	1% Increase (8.0%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (84,675,470)	\$ (37,551,307)	\$ 2,266,597
	Current		
	1% Decrease (7.0%)	Assumption (8.0%)	1% Increase (9.0%)
TRS			
Employer's proportionate share of the net pension asset	\$ (11,787,027)	\$ 172,797,638	\$ 330,209,597

7. Pension Plan Fiduciary Net Position

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

	ERS	TRS (\$000s)	Total
Measurement date	03/31/16	06/30/15	
Employers' total pension liability	\$ 172,303,544	\$ 99,332,104	\$ 271,635,648
Plan net position	156,253,265	109,718,917	265,972,182
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>	<u>\$ (5,663,466)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	90.7%	110.5%	

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on ERS wages multiplied by the contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$2,953,715.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on paid TRS wages multiplied by the contribution rate of 14.13%, as provided by the TRS as part of the pension smoothing program. Accrued retirement contributions as of June 30, 2016 amounted to \$38,246,584.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 2015-16 was \$5,329,055 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 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.

In 2015-16, the System's ARC of 13.25% was lower than the graded rate of 14.13%. As such, the amount of contributions representing the different between rates of \$2,217,579 to be paid by the District will be applied during fiscal year 2016-17 to the outstanding TRS loan balance. The District's total unpaid, TRS amortization liability at the end of fiscal year fiscal year 2015-16 was \$14,365,429 and is reported in the Schedule of Non-Current Governmental Liabilities of this report.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 for this purpose was \$22,047,111. The number of participants enrolled in the District's retirees' health insurance group was 4,247 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 2015-16, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$ 45,371,808
Interest on net OPEB obligation	8,306,075
Adjust to annual required contribution	<u>(8,703,325)</u>
Annual OPEB cost (expense)	44,974,558
Contributions made	<u>(22,047,111)</u>
Increase in net OPEB obligation	22,927,447
Net OPEB obligation - July 1, 2015	<u>207,651,876</u>
Net OPEB obligation - July 1, 2016	<u><u>\$ 230,579,323</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 2015-16 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>
6/30/2016	\$ 44,974,558	49.0%	\$ 230,579,323
6/30/2015	36,635,030	56.7%	207,651,876
6/30/2014	34,752,380	53.7%	191,772,762

Funded Status and Funding Progress

Based on the most recent July 1, 2015 valuation report issued on August 26, 2016, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$529.1 million at June 30, 2016. 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, 2016.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$293,894,921. The ratio of the unfunded actuarial accrued liability at June 30, 2016 to annual covered payroll for 2015-16 is 180%. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements.

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

Actuarial Methods and Assumptions

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

Liabilities were computed using the projected unit credit method and are amortized on a level dollar open basis using a thirty-year amortization period. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the District's general assets which are short-term in nature (such as money market funds) were considered in the selection of the 4% rate. The valuation assumes a 9% healthcare cost trend increase beginning in calendar year 2017, and then a 1% per year decrease to an ultimate healthcare cost trend increase of 5% per year. Healthcare inflation is applied in 2017, since cost projections (rates) are known in 2016, costs are treated as fixed for calendar year 2016.

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 2015-16, MRA claims totaling \$23,809 were paid by the District and at June 30, 2016 there were twenty-eight 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

In December of 2014, the Governor of the State of New York signed legislation approving Phase II of the FMP. The RJSCB has since contracted with Savin Engineers, partnering with the Gilbane Building Co., as the Program Manager of 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. The planning and development of a Phase II Master Plan has been completed and is currently under review by the State Comptroller’s Office for approval which is expected to be received by the end of calendar year 2016. This plan 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 provides the roadmap for Phase II projects. Although up to twenty-six projects have been authorized for Phase II, the RJSCB intends to undertake thirteen projects for the design, reconstruction, or rehabilitation of existing school buildings and their District-Wide Technology improvements. The District has already authorized the initial planning and design of several projects for the first phase of the Phase II program. It is anticipated that construction on the first group of Phase II projects will begin in early 2017 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. In August of 2016, the City issued a \$32 million bond anticipation note (BAN) on behalf of the District for the purpose of providing interim financing to the RJSCB for Phase II of the FMP. The BAN funds will support the planning and preliminary design costs associated with Phase II of the FMP program as well as the initial construction costs of the first approved Phase II project, Monroe High School. The first permanent Phase II bond financing for the RJSCB is projected to occur in February of 2017. This permanent bond financing will repay the outstanding BAN obligation as well as provide additional financing for the first phase of 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 \$1,600,000 relative to nine separate cases which were pending as of June 30, 2016.

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, 2016, the District has

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

reserved and encumbered approximately \$50,766 in asbestos abatement and air monitoring related contracts for active renovation projects. The District has evaluated and determined that there is no other specific pollution related obligations as of June 30, 2016. As a precaution, as of June 30, 2016 the District has set aside an additional \$63,777 in funds which could be used for other pollution remediation obligations should the need arise.

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial..

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 \$3.6 million for the year ended June 30, 2016 and included the Baden Street Settlement, Catholic Charities of the Diocese, Hillside, Ibero American Action League, Nazareth College, Rochester Area Community Foundation, the Rochester Museum and Science Center, and the University of Rochester. At June 30, 2016, the District had \$460,845 in outstanding accounts payable with Board affiliated organizations.

G. Calculation of Net Investment in Capital Assets

Capital assets		\$945,765,524
Less: Depreciation	\$351,270,524	
Related outstanding debt	<u>375,796,745</u>	
Net investment in capital assets		<u>\$218,698,255</u>

The related outstanding debt comprises the following:

Bonds payable	\$385,150,000
BANs payable	18,000,000
Installment purchase debt	<u>4,010,017</u>
	407,160,017
Less: Unspent proceeds	<u>(31,363,272)</u>
	<u>\$375,796,745</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
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
2015-16	11,038,633	11,038,633	-	71,202,250	15.5

TEACHERS' RETIREMENT PLAN:

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
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
2015-16	33,798,963	36,016,542	(2,217,579)	259,214,370	13.9

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF RETIREMENT SYSTEM PENSION PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	ERS		TRS	
	<u>2014-15</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2015-16</u>
District's proportion of the net pension asset (liability)	0.237995%	0.233961%	1.729107%	1.663625%
District's proportionate share of the net pension asset (liability)	\$ (8,040,052)	\$ (37,551,307)	\$ 192,611,736	\$ 172,797,638
District's covered-employee payroll	67,349,479	71,202,250	248,109,334	253,838,859
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	11.9%	52.7%	77.6%	68.1%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	90.7%	111.5%	110.5%

Note: This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Schedule of Funding Progress		
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Actuarial accrued liability (AAL)	\$453,820,582	\$464,872,571	\$529,102,205
Actuarial value of assets	-	-	-
Unfunded AAL (UAAL)	<u>\$453,820,582</u>	<u>\$464,872,571</u>	<u>\$529,102,205</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 300,895,032	\$ 296,221,634	\$ 293,894,921
UAAL as a percentage of covered payroll	150.82%	156.93%	180.03%

Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Employer Contribution</u>
<u>Ended</u>	
6/30/2016	\$ 22,047,111
6/30/2015	\$ 20,755,916
6/30/2014	\$ 18,656,726

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, 2016

	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 450,000	\$ 350,000	\$ 319,731	\$ (30,269)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	8,936,913	7,230,831	12,546,169	5,315,338
State Sources	539,020,182	539,179,961	539,268,982	89,021
Federal Sources	2,100,000	2,100,000	4,532,569	2,432,569
Total Revenues	669,607,095	667,960,792	675,767,451	7,806,659
EXPENDITURES				
Current:				
General Support:				
Staff	6,597,255	5,825,596	5,669,721	155,875
Central Services	38,732,243	40,929,231	39,814,563	1,114,668
Other	8,730,981	7,862,102	7,689,558	172,544
Instructional				
Teaching -- Regular School	202,774,243	182,844,606	182,722,015	122,591
Special Apportionment Programs	101,713,289	107,038,810	104,177,989	2,860,821
Other	69,972,279	71,678,901	69,860,056	1,818,845
Pupil Transportation	60,709,493	69,148,316	68,754,498	393,818
Community Services	478,237	538,180	525,405	12,775
Employee Benefits				
Retirement	38,231,516	38,772,448	38,667,165	105,283
Social Security	20,191,262	20,615,989	20,581,882	34,107
Health Insurance	69,834,688	68,637,565	68,459,031	178,534
Workers' Compensation	3,445,000	4,511,539	4,504,542	6,997
Other	4,801,199	5,743,625	5,625,434	118,191
Debt Service	4,563,617	4,563,618	4,563,130	488
Total Expenditures	630,775,302	628,710,526	621,614,989	7,095,537
Excess of Revenues Over Expenditures	38,831,793	39,250,266	54,152,462	14,902,196
OTHER FINANCING SOURCES (USES)				
Transfers In	4,657,787	4,657,837	4,981,432	323,595
Transfers Out	(54,489,580)	(54,908,103)	(54,908,102)	1
Total Other Financing Sources (Uses)	(49,831,793)	(50,250,266)	(49,926,670)	323,596
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	\$ (11,000,000)	\$ (11,000,000)	4,225,792	\$ 15,225,792
Encumbrances Included in Actual			188,932	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			4,414,724	
Expenditure of Prior Years' Encumbrances			(183,689)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			4,231,035	
Fund Balance -- Beginning of Year			66,598,983	
Fund Balance -- End of Year			\$ 70,830,018	

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, 2016

Special Aid Fund				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local Sources	\$ 3,382,486	\$ 4,458,153	\$ 2,692,931	\$ (1,765,222)
State Sources	44,096,281	55,358,746	52,657,407	(2,701,339)
Federal Sources	48,142,948	61,484,966	57,603,679	(3,881,287)
Total Revenues	95,621,715	121,301,865	112,954,017	(8,347,848)
EXPENDITURES				
Current:				
General Support				
Central Services	26,915	46,754	45,554	1,200
Other	2,419,093	3,167,369	1,630,450	1,536,919
Instructional				
Teaching -- Regular School	36,302,527	48,670,646	45,175,082	3,495,564
Special Apportionment Programs	18,708,996	21,011,222	19,183,500	1,827,722
Other	18,536,345	25,501,779	25,501,051	728
Pupil Transportation	1,479,287	2,304,095	2,283,968	20,127
Employee Benefits				
Retirement	5,649,847	7,117,403	7,111,360	6,043
Social Security	3,094,549	5,320,528	3,997,452	1,323,076
Health Insurance	8,295,546	8,198,539	8,078,068	120,471
Workers' Compensation	642,578	860,598	859,770	828
Other	466,032	419,651	404,481	15,170
Total Expenditures	95,621,715	122,618,584	114,270,736	8,347,848
Excess (Deficiency) of Revenues Over Expenditures	-	(1,316,719)	(1,316,719)	-
OTHER FINANCING SOURCES				
Transfers In	-	1,316,719	1,316,719	-
Transfers Out	-	-	-	-
Total Other Financing Sources	-	1,316,719	1,316,719	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	-	\$ -
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, 2016**

	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	\$ 164,786	\$ 276,366	\$ 111,580
State Sources	570,000	570,000	539,406	(30,594)
Federal Sources	20,212,000	21,624,713	22,096,948	472,235
Total Revenues	20,932,000	22,359,499	22,912,720	553,221
EXPENDITURES				
General Support				
Other	17,507,471	20,541,757	20,541,757	-
Employee Benefits				
Retirement	1,116,000	981,126	981,126	-
Social Security	523,000	527,381	527,381	-
Health Insurance	1,612,529	2,167,353	2,167,353	-
Workers' Compensation	114,000	114,868	114,868	-
Other	59,000	57,915	57,915	-
Total Expenditures	20,932,000	24,390,400	24,390,400	-
Excess (Deficiency) of Revenues Over Expenditures	-	(2,030,901)	(1,477,680)	553,221
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Appropriation of Prior Year Fund Balance	-	2,030,901	-	(2,030,901)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	(1,477,680)	\$ (1,477,680)
Fund Balance -- Beginning of Year			2,619,003	
Fund Balance -- End of Year			\$ 1,141,323	

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, 2016
(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	\$ 450,000	\$ 350,000	\$ 319,731	\$ (30,269)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,760,000	1,760,000	1,962,993	202,993
Miscellaneous	7,176,913	5,470,831	10,583,176	5,112,345
State Sources	539,020,182	539,179,961	539,268,982	89,021
Federal Sources	2,100,000	2,100,000	4,532,569	2,432,569
Total Revenues	<u>669,607,095</u>	<u>667,960,792</u>	<u>675,767,451</u>	<u>7,806,659</u>
Other Sources				
Transfers in	<u>4,657,787</u>	<u>4,657,837</u>	<u>4,981,432</u>	<u>323,595</u>
Total Other Sources	<u>4,657,787</u>	<u>4,657,837</u>	<u>4,981,432</u>	<u>323,595</u>
Total Revenues and Other Sources	<u>\$ 674,264,882</u>	<u>\$ 672,618,629</u>	<u>\$ 680,748,883</u>	<u>\$ 8,130,254</u>

(continued next page)

Expenditures	Original Budget	Final Budget
General Support:		
Staff	\$ 6,597,255	\$ 5,825,596
Central Services	38,732,243	40,929,231
Board of Education	565,515	637,180
Central Administration	845,247	684,471
Finance	4,936,136	4,884,035
Other	2,384,083	1,656,416
Instructional		
Teaching - Regular School	202,774,243	182,844,606
Programs for Children with Handicapping Conditions	95,567,287	101,320,763
Occupational Education	6,146,002	5,718,047
Instruction, Administration and Improvement	39,855,102	40,552,839
Teaching - Special Schools	3,194,487	2,751,017
Instructional Media	4,687,346	3,538,775
Pupil Services	22,235,344	24,836,270
Pupil Transportation	60,709,493	69,148,316
Community Services	478,237	538,180
Employee Benefits:		
Retirement	38,231,516	38,772,448
Social Security	20,191,262	20,615,989
Health Insurance	69,834,688	68,637,565
Workers' Compensation	3,445,000	4,511,539
Other	4,801,199	5,743,625
Debt Service		
Principal	4,042,333	4,042,334
Interest	521,284	521,284
Total Expenditures	630,775,302	628,710,526
Other Uses		
Transfers Out	54,489,580	54,908,103
Total Expenditures and Other Uses	685,264,882	683,618,629
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ (11,000,000)	\$ (11,000,000)

<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 5,659,971	\$ 266	\$ 165,359
39,800,463	14,100	1,114,668
627,254	-	9,926
606,902	-	77,569
4,836,182	9,750	38,103
1,618,955	-	37,461
182,613,603	108,410	122,593
98,576,427	-	2,744,336
5,594,704	-	123,343
39,471,450	6,858	1,074,531
2,679,167	-	71,850
3,460,514	175	78,086
24,234,377	14,373	587,520
68,719,498	35,000	393,818
525,405	-	12,775
38,667,165	-	105,283
20,581,882	-	34,107
68,459,031	-	178,534
4,504,542	-	6,997
5,625,434	-	118,191
4,042,091	-	243
521,040	-	244
<u>621,426,057</u>	<u>188,932</u>	<u>7,095,537</u>
<u>54,908,102</u>	<u>-</u>	<u>1</u>
<u>676,334,159</u>	<u>\$ 188,932</u>	<u>\$ (19,786,527)</u>
<u>\$ 4,414,724</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, 2016**

Debt Service Fund				
	Budgeted Amounts			Variance with
REVENUES	Original	Final	Actual	Final Budget
	Budget	Budget		
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ -	\$ 2,668,307	\$ 2,668,307	\$ -
Total Revenues	-	2,668,307	2,668,307	-
EXPENDITURES				
Debt Service	47,972,580	48,004,383	48,004,383	-
Total Expenditures	47,972,580	48,004,383	48,004,383	-
Deficiency of Revenues Over Expenditures	(47,972,580)	(45,336,076)	(45,336,076)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	47,972,580	48,004,383	48,004,383	-
Transfers (Out)	-	(2,668,307)	(2,668,307)	-
Total Other Financing Sources (Uses)	47,972,580	45,336,076	45,336,076	-
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, 2016**

<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	\$ 11,271,091	\$ 2,853,909	\$ -
13-007	Facility Capital Improvements	13,000,000	9,462,438	3,537,562	-
13-397	Facility Capital Improvements	12,000,000	8,063,971	1,444,705	2,491,324
14-372	Facility Capital Improvements	12,000,000	-	7,074,947	4,925,053
13-397	Facility Capital Improvements	1,000,000	-	777,602	222,398
	Accrued Capital Improvements	43,665	1,366,818	1,273,025	(2,596,178)
	Cash - Capital Improvements	15,936,791	-	4,917,639	11,019,152
	Totals	\$ 68,105,456	\$ 30,164,318	\$ 21,879,389	\$ 16,061,749

THIS PAGE INTENTIONALLY LEFT BLANK



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 90-96) – 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 97-100) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ◆ Debt Capacity (Page 101-105) – 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 106-107) – 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 108-112) – 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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities					
Net investment in capital assets	\$ 216,602,246	\$ 229,418,070	\$ 231,461,078	\$ 227,098,515	\$ 224,868,075
Unrestricted (Deficit)	<u>(10,146,254)</u>	<u>(54,652,221)</u>	<u>(70,682,248)</u>	<u>(78,288,628)</u>	<u>(133,132,558)</u>
Total governmental activities net position	<u>\$ 206,455,992</u>	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities					
Net investment in capital assets	\$ 226,080,564	\$ 231,321,889	\$ 226,882,367	\$ 220,389,578	\$ 218,698,255
Unrestricted (Deficit)	<u>(142,832,981)</u>	<u>(170,834,732)</u>	<u>(137,367,906)</u>	<u>(131,913,678)</u>	<u>(113,298,286)</u>
Total governmental activities net position	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>	<u>\$ 89,514,461</u>	<u>\$ 88,475,900</u>	<u>\$ 105,399,969</u>

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

(continued next page)

	2007	2008	2009	2010
Expenditures				
General Support:				
Board of Education	\$ 713,240	\$ 685,664	\$ 678,153	\$ 700,462
Chief School Administrator	1,744,079	2,150,794	3,263,226	2,625,789
Finance	5,281,980	5,328,334	5,781,686	6,060,425
Staff	6,889,084	6,659,097	6,987,989	7,030,907
Central Services	64,195,225	73,464,586	74,596,293	75,301,682
Other	7,663,524	21,539,394	3,617,425	9,593,834
Total General Support	86,487,132	109,827,869	94,924,772	101,313,099
Instruction:				
Administration and Improvement	63,520,800	63,961,427	76,490,377	76,364,476
Teaching	349,523,934	385,363,331	420,456,795	422,444,062
Instructional Media	8,340,253	8,514,516	10,053,812	11,110,860
Pupil Services	30,938,342	30,168,305	32,319,277	32,250,202
Other	-	-	-	-
Total Instruction	452,323,329	488,007,579	539,320,261	542,169,600
Pupil Transportation	53,138,656	54,899,360	60,121,041	55,139,810
Community Services	5,725,482	7,821,082	7,273,466	6,965,346
Interest on Long-Term Debt	8,264,944	7,918,829	7,855,374	7,729,302
Depreciation-Unallocated	7,982,633	-	-	-
Total Expenditures	613,922,176	668,474,719	709,494,914	713,317,157
Program Revenues				
Charges for Services:				
Central Services	13,854,118	14,620,109	15,987,282	1,032,158
Teaching	1,851,229	1,376,696	1,384,364	1,636,777
Operating Grants and Contributions	145,456,653	90,671,547	95,492,259	101,612,225
Total Program Revenues	161,162,000	106,668,352	112,863,905	104,281,160
Net (Expense)/Revenue	(452,760,176)	(561,806,367)	(596,631,009)	(609,035,997)
General Revenues and Other Changes in Net Position				
Intergovernmental (Unrestricted)	119,100,000	119,100,000	119,100,000	119,100,000
Use of Money & Property	4,471,842	4,286,033	2,449,722	4,768,568
Interfund Reimbursements	2,594,188	2,322,353	-	-
State & Federal Aid	275,251,427	350,011,056	385,981,017	408,172,635
Lottery Aid	38,056,468	48,015,993	55,584,823	56,900,547
Miscellaneous	2,940,015	4,475,430	19,528,428	8,125,304
Total General Revenues and Other Changes in Net Position	442,413,940	528,210,865	582,643,990	597,067,054
Change in Net Position	\$ (10,346,236)	\$ (33,595,502)	\$ (13,987,019)	\$ (11,968,943)

2011	2012	2013	2014	2015	2016
\$ 845,542	\$ 937,364	\$ 804,532	\$ 968,455	\$ 811,972	\$ 1,184,391
2,935,381	823,745	1,018,962	1,183,391	947,164	2,509,063
6,446,125	5,624,636	5,957,755	7,449,533	6,165,866	7,418,291
7,813,587	6,337,641	6,016,143	6,959,452	5,948,881	7,755,959
74,794,471	71,636,605	74,430,768	81,900,706	77,142,220	82,909,676
5,533,657	6,461,292	8,665,885	8,255,958	4,951,793	4,814,857
98,368,763	91,821,283	96,894,045	106,717,495	95,967,896	106,592,237
76,115,320	66,516,877	73,712,391	70,286,652	74,179,100	67,388,814
444,285,066	422,176,283	434,230,713	416,521,090	462,945,545	477,002,393
12,127,840	9,361,416	9,222,737	8,688,549	9,922,632	9,349,425
32,369,551	36,379,149	36,650,565	36,102,054	40,050,199	40,769,018
-	-	-	-	-	-
564,897,777	534,433,725	553,816,406	531,598,345	587,097,476	594,509,650
60,056,572	59,602,833	65,325,728	68,990,845	70,433,794	77,363,591
7,143,070	3,642,674	2,604,672	3,036,392	3,419,962	3,124,667
8,283,576	7,502,523	12,532,896	17,598,994	17,931,983	18,814,372
-	-	-	-	-	-
738,749,758	697,003,038	731,173,747	727,942,071	774,851,111	800,404,517
784,618	954,589	771,124	108,583	135,478	276,366
1,279,395	1,539,574	1,408,777	1,605,929	1,593,999	1,962,993
107,490,316	103,192,159	101,980,675	107,816,885	109,228,469	113,987,817
109,554,329	105,686,322	104,160,576	109,531,397	110,957,946	116,227,176
(629,195,429)	(591,316,716)	(627,013,171)	(618,410,674)	(663,893,165)	(684,177,341)
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
560,906	635,161	283,477	259,181	682,214	753,878
-	-	-	-	-	-
381,842,297	396,973,771	413,568,396	454,984,197	462,719,362	497,713,112
63,411,761	59,355,281	63,012,095	66,698,736	69,627,693	68,357,659
7,206,095	6,764,569	8,288,777	6,395,864	10,725,335	15,176,761
572,121,059	582,828,782	604,252,745	647,437,978	662,854,604	701,101,410
\$ (57,074,370)	\$ (8,487,934)	\$ (22,760,426)	\$ 29,027,304	\$ (1,038,561)	\$ 16,924,069

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

(continued next page)

	2007	2008	2009	2010
General Fund				
Nonspendable	\$ 5,642,167	\$ 1,814,956	\$ 2,293,454	\$ 39,546
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	75,261,382	41,096,379	42,234,704	58,297,595
Unassigned	1,889,359	4,932,662	15,694,610	19,064,883
Total General Fund	<u>\$ 82,792,908</u>	<u>\$ 47,843,997</u>	<u>\$ 60,222,768</u>	<u>\$ 77,402,024</u>
All Other Governmental Funds				
Nonspendable	\$ 635,325	\$ 573,374	\$ 448,225	\$ 458,729
Restricted	-	-	-	-
Assigned	1,825,301	1,140,361	1,559,873	1,436,907
Unassigned, Reported In:				
Capital Projects Fund	(12,496,754)	(17,580,328)	(40,133,564)	9,502,422
RJSCB Fund	-	-	-	-
Miscellaneous Special Revenue	-	-	-	-
Total All Other Governmental Funds	<u>\$ (10,036,128)</u>	<u>\$ (15,866,593)</u>	<u>\$ (38,125,466)</u>	<u>\$ 11,398,058</u>
Total All Governmental Funds	<u>\$ 72,756,780</u>	<u>\$ 31,977,404</u>	<u>\$ 22,097,302</u>	<u>\$ 88,800,082</u>

2011	2012	2013	2014	2015	2016
\$ 4,405,058	\$ 6,589,163	\$ 5,408,822	\$ 9,015,204	\$ 9,658,416	\$ 360,810
-	-	4,735,764	655,408	320,406	8,162,364
-	32,588,485	32,588,485	32,588,485	26,452,769	27,694,297
40,728,264	21,995,142	21,357,946	20,309,554	19,760,663	25,677,162
26,557,687	19,188,648	19,342,801	14,571,175	10,406,729	8,935,385
<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>	<u>\$ 70,830,018</u>
\$ 99,138	\$ 311,363	\$ 328,690	\$ 324,307	\$ 424,100	\$ 612,612
-	-	-	47,508,944	60,270,989	13,069,585
871,767	118,409,508	180,847,158	1,126,667	2,194,903	547,112
(258,865)	(9,227,636)	-	10,584,466	(5,664,911)	(1,938,251)
-	-	-	-	37,848	-
(2,683,335)	-	-	-	-	-
<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>\$ 12,291,058</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>	<u>\$ 83,121,076</u>

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

(continued next page)

	2007	2008	2009	2010
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 4,498,603	\$ 4,380,909	\$ 2,449,722	\$ 4,768,568
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	11,185,487	10,797,977	16,191,725	15,986,384
State Sources	395,842,611	430,359,330	485,631,182	455,650,093
Federal Sources	71,062,237	68,476,550	72,673,518	107,728,741
Surplus Food	883,363	791,243	925,780	929,925
Sales	1,003,639	973,208	911,798	576,984
Total Revenues	<u>603,575,940</u>	<u>634,879,217</u>	<u>697,883,725</u>	<u>704,740,695</u>
Expenditures				
General Support:				
Staff	6,520,235	6,456,990	6,672,969	6,762,646
Central Services	45,109,819	47,704,150	47,594,354	49,382,721
Other	22,901,927	37,345,461	21,578,298	27,687,396
Instructional:				
Teaching - Regular School	190,111,522	203,630,068	222,394,714	225,292,202
Special Apportionment Programs	124,579,887	133,894,191	137,509,226	142,065,048
Other	112,126,140	118,085,930	133,518,980	134,904,890
Pupil Transportation	50,376,123	52,612,309	56,587,073	52,287,872
Community Services	5,628,977	6,042,832	7,124,911	6,773,889
Cost of Sales	6,050,396	6,321,146	6,960,822	7,211,720
Debt Service:				
Principal	19,739,667	18,156,921	14,779,453	13,578,018
Interest	8,264,944	7,898,563	8,009,606	6,790,890
Bond Issuance Costs	-	-	-	-
Capital Outlay	<u>27,662,076</u>	<u>26,182,381</u>	<u>49,163,770</u>	<u>26,791,121</u>
Total Expenditures	<u>619,071,713</u>	<u>664,330,942</u>	<u>711,894,176</u>	<u>699,528,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,495,773)	(29,451,725)	(14,010,451)	5,212,282
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Refunding Bonds	-	-	-	-
Premium - Refunding Bonds	-	-	-	-
Premium - Bond Issuance	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Long-term Debt	469,183	11,384,878	2,043,200	61,490,498
Transfers In	27,695,699	28,798,062	30,711,359	58,286,742
Transfers Out	<u>(27,695,699)</u>	<u>(28,798,062)</u>	<u>(30,711,359)</u>	<u>(58,286,742)</u>
Total Other Financing Sources (Uses)	<u>469,183</u>	<u>11,384,878</u>	<u>2,043,200</u>	<u>61,490,498</u>
Net Change in Fund Balances	<u><u>\$(15,026,590)</u></u>	<u><u>\$(18,066,847)</u></u>	<u><u>\$(11,967,251)</u></u>	<u><u>\$ 66,702,780</u></u>
Debt Service as a Percentage of Noncapital Expenditures	4.72%	4.04%	3.40%	3.00%

2011	2012	2013	2014	2015	2016
\$ 560,907	\$ 635,161	\$ 283,477	\$ 259,181	\$ 682,214	\$ 3,001,530
119,100,000	119,100,000	119,100,000	119,100,000	119,101,443	119,142,222
10,777,116	12,165,277	10,880,816	11,635,498	13,360,146	15,710,271
445,210,158	465,764,197	485,713,741	530,317,736	550,167,576	592,465,795
104,692,597	89,528,198	91,398,802	94,495,300	86,754,441	82,818,077
932,137	1,018,851	942,062	1,078,482	1,128,449	1,415,119
402,473	303,420	94,423	83,178	83,509	132,022
681,675,388	688,515,104	708,413,321	756,969,375	771,277,778	814,685,036
7,179,406	6,260,911	5,906,382	5,945,247	6,074,754	7,472,227
47,243,300	46,538,877	48,276,855	50,247,733	49,268,550	50,836,398
24,116,618	23,116,314	26,068,647	27,484,179	24,917,805	26,080,581
236,502,568	235,738,366	244,680,729	254,351,913	260,566,367	273,448,551
136,643,687	135,977,745	139,182,252	143,521,920	146,005,189	150,269,672
131,741,908	129,632,899	136,515,099	146,998,875	162,786,514	159,549,959
54,614,418	58,064,582	63,362,758	66,443,629	68,165,552	73,763,974
6,844,001	3,479,242	2,446,372	2,882,036	3,293,117	3,015,541
7,454,503	7,930,286	8,861,406	7,994,917	8,521,647	11,651,513
18,385,022	18,127,741	33,554,888	22,556,679	30,410,967	33,662,091
8,984,972	7,190,572	13,921,980	17,332,137	17,630,531	18,905,423
-	-	2,091,497	-	-	-
22,679,746	31,277,855	102,472,252	139,640,040	59,866,645	66,769,942
702,390,149	703,335,390	827,341,117	885,399,305	837,507,638	875,425,872
(20,714,761)	(14,820,286)	(118,927,796)	(128,429,930)	(66,229,860)	(60,740,836)
-	-	738,164	504,474	53,407,562	20,000,000
-	-	37,785,000	-	-	-
-	-	3,309,791	-	-	-
-	-	20,780,819	-	-	-
-	-	(22,730,000)	-	-	-
1,634,393	134,955,245	153,799,015	-	-	-
33,153,924	37,096,372	46,564,991	54,001,937	59,105,658	59,889,534
(33,153,924)	(37,096,372)	(46,564,991)	(54,001,937)	(59,105,658)	(59,889,534)
1,634,393	134,955,245	193,682,789	504,474	53,407,562	20,000,000
\$ (19,080,368)	\$ 120,134,959	\$ 74,754,993	\$ (127,925,456)	\$ (12,822,298)	\$ (40,740,836)
3.99%	3.71%	6.50%	5.29%	6.02%	6.49%

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			
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	5,973,945	20.05	42.86	6,250,507	95.58%	2.90%
2016	5,992,862	20.15	41.92	6,207,003	96.55%	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	
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
2016	Homestead	13.94	6.21	10.70	30.85
	Non-Homestead	29.03	12.88	10.70	52.61

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)

	2016			2007		
	Taxable Value	Rank	Percentage of Total Taxable Assessed Value ¹	Taxable Value ¹	Rank	Percentage of Total Taxable Assessed Value ²
Rochester Gas and Electric Corporation	\$ 679,939	1	11.37%	\$ 527,221	1	10.35%
Frontier Telephone Corporation	72,484	2	1.21%	70,699	3	1.39%
Buckingham Properties	63,290	3	1.06%	27,913	4	0.55%
Eastman Kodak Company	62,078	4	1.04%	100,400	2	1.97%
CSX	26,173	5	0.44%	13,594	9	0.27%
Clinton Asset Holding	25,000	6	0.42%	-	-	-
Maguire Family Properties	20,715	7	0.35%	18,509	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%	-	-	-
Chase Manhattan	-	-	-	21,709	5	0.43%
Xerox	-	-	-	14,250	7	0.28%
Landsman Development Corp.	-	-	-	13,992	8	0.27%
Midtown Rochester LLC	-	-	-	13,442	10	0.26%
Totals	<u>\$ 994,702</u>			<u>\$ 821,729</u>		

Source: Assessment Roll of the City of Rochester, City Assessor's Office

¹ The total taxable assessed value of \$5,992,861,644 was used for fiscal year 2015-16 taxes, City Assessor's Office.

² The total taxable assessed value of \$5,094,593,000 was used for fiscal year 2006-07 taxes, City Assessor's Office.

-

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
2007	\$ 189,822	\$ 174,245	91.79%	\$ 10,219	\$ 184,464	97.18%
2008	190,298	174,902	91.91	8,779	183,681	96.52
2009	196,088	181,218	92.42	7,830	189,048	96.41
2010	197,219	182,281	92.43	8,989	191,270	96.98
2011	201,211	185,325	92.10	9,377	194,702	96.77
2012	205,558	189,505	92.19	9,874	199,379	96.99
2013	206,013	190,291	92.37	10,524	200,815	97.48
2014	206,188	191,616	92.93	9,638	201,254	97.61
2015	213,694	198,289	92.79	8,315	206,604	96.68
2016	213,823	198,982	93.06	N/A	198,982	93.06

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
2007	\$ 131,171,122	\$ -	\$ -	\$ 12,358,118	\$ 20,764,007	\$ 164,293,247	0.56%	222
2008	127,318,629	-	-	9,683,982	18,860,874	155,863,485	0.51	210
2009	116,050,555	-	-	6,908,903	18,154,697	141,114,155	0.47	190
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	369
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	560
2015	137,920,000	257,970,000	38,181,490	-	6,855,376	440,926,866	1.22	588
2016	139,270,000	245,880,000	37,480,065	-	4,010,017	426,640,082	1.18	569

¹ Per Capita Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov. Prior year data used for current year

² Population figures from US Census Bureau; current year population not available, 2015 population used. Per capita amounts updated using the current data published by the US Census Bureau

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

Fiscal Year	Total General Obligation Debt - District	Total General Obligation Debt - FMP	Premiums	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
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	227,155,000	33,940,930	4,735,764	428,173,166	7.24	84
2013-14	155,400,000	223,810,000	31,679,985	655,408	410,234,577	6.92	84
2014-15	137,920,000	257,970,000	38,181,490	320,406	433,751,084	7.26	79
2015-16	139,270,000	245,880,000	37,480,065	2,247,652	420,382,413	7.01	82

Per Capita Personal Income figures from the US Dept of Commerce www.bea.gov, current year and prior year data not available; 2014 data used for 2015 and 2016.

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2016**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct Debt:			
Rochester City School District	\$ 426,640,082	100.00%	\$ 426,640,082
Sub Total - Direct Debt	<u>426,640,082</u>		<u>426,640,082</u>
Overlapping Debt:			
City of Rochester	99,259,000	100.00%	99,259,000
County of Monroe	420,190,130	14.65%	61,557,854
Sub Total - Overlapping Debt	<u>519,449,130</u>		<u>160,816,854</u>
Total Direct and Overlapping Debt:	<u>\$ 946,089,212</u>		<u>\$ 587,456,936</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 (14.65%) 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
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	13,515,798	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
2016	211,601,950	157,270,000	54,331,950	25.68

Legal Debt Margin Calculation for Fiscal Year 2015

Indebtedness	
Borrowings -- Bonds	\$ 139,270,000
Borrowings -- BANs	18,000,000
	<u>157,270,000</u>
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) ¹	<u>211,601,950</u>
Debt Contracting Margin ²	<u><u>\$ 54,331,950</u></u>

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
2007	\$ 1,394,728	\$ 1,394,728	\$ 345,792	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	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-

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 County¹	Personal Income - Monroe County¹ (000s)	Per Capita Personal Income - Monroe County¹	Unemployment Rate - Monroe County²
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	744,344	31,336,252	42,099	7.9
2011	745,625	32,728,163	43,894	7.8
2012	747,615	34,478,067	46,117	8.2
2013	749,606	36,102,780	48,162	7.1
2014	749,857	34,438,705	45,927	6.0
2015	N/A	N/A	N/A	5.1
2016	N/A	N/A	N/A	4.6

¹ Source: US Census Bureau

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	2016			2007		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	27,590	1	4.91%	17,802	1	3.00%
Rochester General Health System	15,753	2	2.80%	6,878	5	1.16%
Wegman's Food Markets Inc.	13,606	3	2.42%	13,642	2	2.30%
Xerox Corp.	6,396	4	1.14%	7,670	4	1.29%
Paychex Inc.	4,123	5	0.73%	2,866	9	0.48%
Rochester Institute of Technology	3,993	6	0.71%	3,258	8	0.55%
Lifetime Healthcare Cos. Inc.	3,569	7	0.63%	3,614	7	0.61%
Harris/RF Communications	3,450	8	0.61%	2,200	10	0.37%
YMCA of Greater Rochester	2,745	9	0.49%	-	-	-
Tops Markets LLC	2,588	10	0.46%	-	-	-
Eastman Kodak Co.	-	-	-	12,509	3	2.11%
Unity Health System	-	-	-	4,879	6	0.82%
	<u>83,813</u>		<u>14.90%</u>	<u>75,318</u>		<u>12.70%</u>

¹ Source Rochester Business Journal

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

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

	2007	2008	2009	2010	2011
General Support:					
Board of Education	10	11	11	11	8
Chief School Administrator	9	8	10	14	13
Finance	58	54	56	59	52
Staff	51	48	48	45	36
Central Services	624	607	647	636	568
Other	1	-	-	-	-
Total General Support	753	728	772	765	677
Instruction:					
Administration and Improvement	644	644	678	669	626
Teaching	4,113	4,170	4,235	4,033	3,737
Instructional Media	70	72	72	66	63
Pupil Services	269	259	276	271	238
Pupil Transportation	137	137	132	125	114
Community Services	98	48	116	109	110
Unclassified	15	15	15	15	14
Total Instruction	5,346	5,345	5,524	5,288	4,902
Total	6,099	6,073	6,296	6,053	5,579

	2012	2013	2014	2015	2016
General Support:					
Board of Education	8	10	11	13	12
Chief School Administrator	6	5	4	4	4
Finance	49	52	51	55	62
Staff	39	41	42	47	48
Central Services	555	589	605	707	701
Other	-	-	-	-	-
Total General Support	657	697	713	826	827
Instruction:					
Administration and Improvement	586	577	576	585	598
Teaching	3,483	3,527	3,375	3,615	3,718
Instructional Media	61	64	73	72	83
Pupil Services	313	334	318	351	346
Pupil Transportation	106	121	125	113	133
Community Services	38	35	31	47	22
Unclassified	12	10	10	9	13
Total Instruction	4,599	4,668	4,508	4,792	4,913
Total	5,256	5,365	5,221	5,618	5,740

Note: Amended budget numbers used in 2014-15 and subsequent years.

**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
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
2016	27,745	800,404,517	28,849	5.7	3,718	7.5	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
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
2015-16	27,745	50	3,718	827	1,195	592

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)

	2007	2008	2009	2010	2011
<u>Schools</u>					
<u>Elementary</u>					
Buildings	38	38	38	38	38
Square Feet	2,978,216	2,977,479	2,977,479	3,068,471	2,953,692
Capacity	20,422	20,422	20,922	21,324	21,324
Enrollment	16,970	17,093	17,271	17,228	17,152
<u>Secondary</u>					
Buildings	16	16	16	16	14
Square Feet	3,704,416	3,704,416	3,704,416	3,704,416	2,475,222
Capacity	16,345	16,345	15,775	15,775	15,775
Enrollment	15,616	15,675	14,861	14,426	14,104
<u>Other</u>					
Buildings	1	1	3	3	2
Square Feet	141,969	141,969	296,969	176,319	204,232
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	4	4	3	2	4
Square Feet	229,273	256,781	170,354	241,755	401,750
<u>Transportation</u>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	256,077	-
Buses	90	90	87	88	88
<u>Athletics</u>					
Football Fields	7	7	7	7	7
Soccer Fields	5	5	9	9	9
Running Tracks	6	6	8	8	8
Baseball/Softball	10	10	22	22	22
Swimming Pools	11	11	13	13	13
Playgrounds	39	39	36	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.
- 6 Elementary school #'s 22 and 36 returned back to the City of Rochester effective 07-01-16.
- 7 Monroe High School pool was removed during fiscal 2015-16.

2012	2013	2014	2015	2016	
38	38	38	38	37	⁶
2,953,692	3,209,513	3,220,760	3,220,760	3,098,432	¹
21,324	20,733	20,883	21,215	20,249	²
16,949	16,679	16,672	16,328	15,867	²
14	14	14	14	14	
3,475,222	3,433,212	3,439,476	3,439,576	3,439,576	¹
15,775	14,888	14,888	16,660	16,660	²
13,744	12,844	12,431	12,073	11,878	²
2	2	1	1	1	³
200,560	200,560	129,389	129,389	129,389	¹
-	-	-	-	-	
-	-	-	-	-	
4	3	3	3	3	⁴
401,750	261,598	261,598	261,598	261,598	¹
-	-	-	-	-	⁵
86	86	90	90	91	
7	7	7	7	7	
9	9	9	9	9	
8	8	8	8	8	
22	22	22	22	22	
13	13	13	13	12	⁷
36	36	36	36	36	

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2016.

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
December 2, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2016.

Report on Internal Control Over Compliance

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

Freed Maxick CPAs, P.C.

Rochester, New York
December 2, 2016

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

(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	S041B20163427	\$6,048
Impact Aid	84.041B	S041B20153427	4,664
Title VII-Native American Resource	84.060A	060A162183	42,681
<i>Subtotal U.S. Department of Education Direct Programs</i>			<u>\$53,393</u>
Pass-Through the New York State Education Dept:			
Title I	84.010A	0021161395	\$25,773,164
Title I	84.010A	0021151395	2,451,335
Title I, School Improvement	84.010A	0011162004	864,453
Title I, School Improvement	84.010A	0011152004	1,109,451
Title I, School Improvement	84.010A	0011156001	30,107
Title I, School Improvement	84.010A	0011156002	114,002
Title I, School Improvement	84.010A	0011166115	195,158
Title I, School Improvement	84.010A	0011157020	10,113
Title I, School Improvement	84.010A	0011157021	63,417
Title I, School Improvement	84.010A	0011157022	61,402
Title I, School Improvement	84.377A	0123162104	223,894
Title I, School Improvement	84.377A	0123164106	913,866
Title I, School Improvement	84.377A	0123154106	117,369
Title I, School Improvement	84.377A	0123165112	898,867
Title I, School Improvement	84.377A	0123155112	163,720
Title I, School Improvement	84.377A	0123165113	798,148
Title I, School Improvement	84.377A	0123155113	143,538
Title I, School Improvement	84.377A	0123165114	498,595
Title I, School Improvement	84.377A	0123155114	307,334
Title I, School Improvement	84.377A	0123165111	695,536
Title I, School Improvement	84.377A	0123155111	208,299
Title I, School Improvement	84.377A	0123165118	834,027
Title I, School Improvement	84.377A	0123155118	264,516
Title I, School Improvement	84.377A	0123167018	223,211
Title I, School Improvement	84.377A	0123167019	213,489
Title I, School Improvement	84.377A	0123167017	130,741
Title IIA - Tchr & Prin	84.367A	0147161395	3,620,590
Title IIA - Tchr & Prin	84.367A	0147151395	333,059
Title II MSP Science	84.366B	0294160211	221,687
Title II MSP Science	84.366B	0294150211	-1
Title II MSP Math	84.366B	0294160203	589,039
Title II MSP Math	84.366B	0294150203	-3,287
Title III - Bilingual Educ	84.365A	0293161395	363,776
Title III - Bilingual Educ	84.365A	0293151395	171,782
Title IIIA Immigration	84.365A	0149151395	81,602

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(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	5600160002	869,600
Teacher Incentive Fund	84.374	5600150002	491,003
Perkins Adult	84.048A	8000169020	78,580
Perkins Adult	84.048A	8000159020	1
Perkins Correctional	84.048A	8030160001	6,152
Perkins Secondary	84.048A	8000160024	446,390
Pathways to Technology	84.048A	8039160012	317,580
WIA, Title 2, Correction Ed	84.002A	0138162020	152,080
WIA, Title 2, ESOL/Civics	84.002A	0040162067	239,870
WIA, Title 2, Adult	84.002A	2338163032	48,839
WIA, Title 2, Adult	84.002A	2338162116	456,220
Homeless Children & Youth	84.196A	0212164007	91,048
Homeless Children & Youth	84.196A	0212154007	-1
21st Century Community Learnin	84.287C	0187166114	1,097,095
21st Century Community Learnin	84.287C	0187156114	-1
ARRA - RACE TO THE TOP	84.395A	5500151395	-12,734
ARRA - SIF #22	84.395A	5511156115	295
ARRA - STLE 2	84.395A	5545152038	-12,611
ARRA - STLE-D (Dissemination)	84.395A	5545154020	1
ARRA - RTTT Replication Grant #29	84.395A	5560150012	-1
ARRA - RTTT Replication #50	84.395A	5560150013	1
ARRA - RTTT Teaching is the Core	84.395A	5590150022	-1
<u><i>Special Education Cluster:</i></u>			
IDEA Preschool Serv & Sec 619	84.173A	0033160370	\$449,634
IDEA Preschool Serv & Sec 619	84.173A	0033150370	1
IDEA Support Serv & Sec 611	84.027A	0032160370	9,215,737
IDEA Support Serv & Sec 611	84.027A	0032150370	-713
IDEA, Part B, Disc.	84.027A	0031155502	1
SETRC	84.027A	0C00755916	338,023
SETRC	84.027A	0C00755915	-735
<i>Subtotal Special Education Cluster</i>			<u>\$10,001,948</u>
<i>Subtotal Pass-Through New York State Education Department</i>			<u>\$56,957,353</u>
Total U.S. Department of Education			<u><u>\$57,010,746</u></u>

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<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 Pr	93.576	C021724-16	\$62,051
Pass-Through Health Research Incorporated:			
Pregnancy Assistance Fund	93.500	5SP1AH0000250300/4739-03	\$122,990
Pregnancy Assistance Fund	93.500	5SP1AH0000250200/4739-02	7,778
Total U.S. Department of Health and Human Services			<u>\$192,819</u>
U.S. Department of Agriculture			
<u><i>Nutrition Cluster:</i></u>			
Pass-Through NYS Bureau of School Food Management:			
School Fund Service Fund - Breakfast	10.553	--	\$5,940,551
School Fund Service Fund - Lunch/Surplus Food Commodities	10.555	--	14,243,683
Pass-Through City of Rochester:			
Summer Food Service Program	10.559	--	878,914
<i>Subtotal Nutrition Cluster</i>			<u>\$21,063,148</u>
Pass-Through the NYS Department of Education:			
Child Nutrition Fresh Fruit, Veg Prog	10.582	0004160016	\$1,033,799
Pass-Through the NYS Office of Temporary & Disability Assistance:			
NYSOTDA Food Stamp Employment	10.561	C021213016	\$2,081
NYSOTDA Food Stamp Employment	10.561	C021213015	191,510
SNAP Supplemental Nutrition Assistance	10.561	C021618016	136,916
SNAP Supplemental Nutrition Assistance	10.561	C021618015	45,250
Total U.S. Department of Agriculture			<u>\$22,472,704</u>
U.S. Department of Labor			
Pass-Through the NYS Department of Labor:			
Veteran 3-Month Career Training "Boot-Camp" at OACES	17.278	T156445	\$24,358
Total U.S. Department of Labor			<u>\$24,358</u>
Total Expenditures of Federal Awards			<u>\$79,700,627</u>

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, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs administered by the District. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, are 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. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

3. Pass-Through Grantor

Some of the federal financial assistance received was passed-through departments of the State of New York.

4. Relationship to Financial Reports

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

5. Major Program Determination

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 \$750,000 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 .25% of the total federal awards or \$187,500 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

6. Other

In the Schedule of Expenditures of Federal Awards for the School Food Service Fund, \$1,415,119 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.

7. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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 2 CFR 200.516(a)?

 Yes X No

Identification of major programs:

Name of Federal Programs or Clusters
Title I

CFDA Number(s)
84.010

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

\$ 2,391,019

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, 2016 (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, 2016

I. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2015.

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, 2015.



Student Activity Funds





**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASSROOM 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, 2016 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 qualified 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, 2016, 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
December 2, 2016

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets		
Cash:		
Elementary Schools	\$ 22,191	\$ 35,148
Secondary Schools	<u>89,604</u>	<u>111,652</u>
Total Assets	<u>\$ 111,795</u>	<u>\$ 146,800</u>

Liabilities

Student Deposits:		
Elementary Schools	\$ 22,191	\$ 35,148
Secondary Schools	<u>89,604</u>	<u>111,652</u>
Total Liabilities	<u>\$ 111,795</u>	<u>\$ 146,800</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, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Receipts		
Elementary Schools	\$ 43,054	\$ 57,998
Secondary Schools	261,277	345,761
Total Receipts	<u>304,331</u>	<u>403,759</u>
Disbursements		
Elementary Schools	56,010	63,416
Secondary Schools	283,326	359,935
Total Disbursements	<u>339,336</u>	<u>423,351</u>
(Deficiency) of Receipts over Disbursements	<u>(35,005)</u>	<u>(19,592)</u>
Cash -- Beginning of Year	<u>146,800</u>	<u>166,392</u>
Cash -- End of Year	<u><u>\$ 111,795</u></u>	<u><u>\$ 146,800</u></u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2016

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, 2016.

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.

2016

CAFÉ

