

2019

CAFR



*Every student by face and name.
Every school, every classroom.
To and through graduation.*

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, 2019

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, 2019**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

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Comprehensive Annual Financial Report
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Introduction





Rochester City School District

Superintendent of Schools

Terry Dade

December 19, 2019

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, 2019. 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 (GAAP) in the United States of America. 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, certified public accounting firm. The purpose of an independent audit is to express an opinion as to whether the financial statements are fairly stated in all material respects. 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, 2019. 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, 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, Careers in Technical Education (CTE), individualized programs, school-to-work programs, and partnerships with higher education. Programs are supplemented by a wide variety of offerings in the 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 adults, and employment preparation. For the 2018-19 school year, the District reported the following enrollments: 3,171 pre-kindergarten (Pre-K), 14,490 elementary (K-6) and 11,252 secondary (7-12), for a total of 28,913 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 allows for the issuance of 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, with a renewal option thereafter. Charter schools are overseen by public authorities, yet operate with a great deal of flexibility as independent, not-for-profit, educational entities.

The statute requires that the District pay a prescribed amount to the charter school for each resident pupil enrolled that is equivalent to the State 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 who are receiving special education services from the charter school. Charter School tuition payments totaling approximately \$86.2 million for 6,011 students were made from the District's General operating fund during the 2018-19 fiscal year. There were 14 Charter schools that received payments during the 2018-19 fiscal year.

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, 2020. 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 struggling, low-performing schools. With the implementation of the Every Student Succeeds Act in the 18-19 school year, changes made to the accountability system resulted in multiple changes in accountability for RCSd schools. As of June 30, 2019, the District supports fourteen schools that have been identified by the NYSED as "Receivership". East High School, East Lower School, James Monroe High School, and Northeast High School continue to be in Receivership and are considered Cohort 1 Receivership Schools, which were the first round of schools identified as Receivership Schools beginning on July 15, 2015. Five schools were removed from Cohort 1 Receivership: Rochester Community School No. 3, Roberto Clemente School No. 8, Dr. Martin Luther King Jr. Elementary School No. 9, Enrico Fermi School No. 17, Mary McLeod Bethune School No. 45. Ten more schools were added to Receivership during 2018-19 and are designated as Cohort 2: Dr. Walter Cooper Academy School No. 10, John Walton Spencer School No. 16, Dr. Charles T. Lunsford School No. 19, Henry Hudson School No. 28, John James Audubon School No. 33, Wilson Foundation Academy, Edison Career and Technology High School, Integrated Arts and Technology High School, Leadership Academy for Young Men, and Vanguard Collegiate High School. Turnaround efforts for these schools guided by the Superintendent as Receiver, resulted in a targeted system of intensive supports and additional resources from the State. The NYSED will review the status of each school's Demonstrable Improvement Indicators as soon as the NYS exam results are available in order to make a determination as to whether the schools will remain in Receivership.

The District's financial statements are included in the financial statements of the City of Rochester (the City) as a discretely presented component unit. The District's Board of Education governs the public schools, and members are elected independent of the City Council. The District is dependent upon the City to contract bonded indebtedness and to levy taxes on its behalf. 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:

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 the project costs are reimbursed with State Aid; however, any amounts not reimbursed through State aid are funded from the District's budget.

The District's 2018-19 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, 2018 and ending on June 30, 2019.

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 for adoption each June.

Legal spending control for District funds is at the fund level, but management control must be 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 unreserved balance. The Board of Education authorizes management to make transfers between the various budgetary line items in any fund within the fund level.

ECONOMIC CONDITIONS AND OUTLOOK OF THE REPORTING ENTITY

Local Economic Status and Forecast^{1, 2}

Low unemployment and the catalytic effect of Rochester's universities will keep the Rochester economy moving in the right direction, however, the prevalence of low-wage jobs is tampering with the local economy's upward trajectory. The long-term decline of the regional heavyweights Kodak and Xerox has contributed to a decline in high-wage positions and is putting downward pressure on incomes. There are promising developments, however. For example, T-Mobile recently revealed plans to build a call center in the area, creating approximately 1,300 jobs. The housing market is strong and foreclosure inventories have fallen over the past year. The single-family house price growth was among the strongest in New York State, helping to drive impressive gains in construction employment. Local population losses have continued, with the past five years bringing the sharpest decline on record. This is primarily due to the declining number of births, offset by a rapidly rising share of seniors.

Projected Enrollment³

The District's PreK-12 projected enrollment of 28,442 for fiscal year 2019-20 represents a 1.6% decrease as compared to the actual enrollment of 28,913 for fiscal year 2018-19. The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total PreK – 12 enrollment over the next ten years from 28,442 students in 2019-20 to 24,687 students in 2028-29, or an overall projected decrease of 13.2% over the next ten years. The continued growth of Charter Schools within Rochester and the surrounding area is the primary factor in the sustained decreases in District enrollment.

Age of School Buildings³

The District owns forty-eight school buildings with an average age of 72 years old. Eleven schools have some portion of the building that is more than 100 years old. Given the number and overall age of the buildings, there is a constant demand for building repair or upgrading.

Year Constructed	Total
1901-1920	11
1921-1939	12
1940-1969	15
1970-Present	10
Total	48
<i>Building data does not include mini-schools, leased facilities, or transportable units.</i>	

Sources:

- 1 Moody's Analytics, May 2019
- 2 Bureau of Labor Statistics, U.S. Department of Labor
- 3 RCSD CIP, May 2019

The State Education Department (SED) mandates that every five years each New York State school district complete a building condition survey. The latest survey was completed in 2016, and identified a need of \$467.0 million for building improvements over the next five years, however, the current Capital Improvement Plan proposes an investment of only about \$140.0 million over the next five years, comprised of approximately \$90.0 million from borrowed funds and \$50.0 million from cash capital. The procurement of equipment and expenditures for capital improvements with short-term life cycles are generally financed through the cash capital operating budget. Equipment and facility improvements with long-term life cycles are generally financed through borrowed funds.

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. However, the FMP falls short of addressing the District's ongoing and continuously evolving maintenance and repair needs in schools that are not included in the list of approved schools covered under the active Phase of the FMP renovations. As such, the CIP focuses on addressing the needs of these schools.

The FMP was originally structured to be a three-phase program spanning more than fifteen years, which will cost approximately \$1.2 billion. As part of Phase I, six elementary schools were substantially reconstructed and four high schools were partially renovated. One remaining construction project at Monroe High School crossed over into Phase II of the Plan and was substantially completed during the summer of 2018.

In December 2014, the New York State Governor signed legislation approving Phase II of the program. Phase II is estimated to cost \$435.0 million and authorizes projects in 25 buildings plus a District-wide technology project. In July 2016, the Governor signed an amendment to the Phase II legislation that included a proposed change to the building aid reimbursement formula used by the State to reimburse the District. This amendment to the plan narrows the focus of Phase II to construction at 13 buildings and allows the doubling of the Maximum Cost Allowance ("MCA") on select schools within Phase II in order to facilitate project completions over a five-year period, rather than ten years, while still maximizing aid reimbursement. Phase II construction commenced during fiscal 2016-17 and is estimated to be completed in the summer of 2021.

The Special Legislation covering Phase III was introduced but not enacted in the 2019 Legislative session. The bill will be re-introduced in January/February 2020 with approval on or before June 2020. The legislation would authorize up to 15 building projects plus a District-wide technology project at a cost of \$615.0 million.

The District's Capital Improvement Program (CIP) is prepared as a companion document to the Superintendent's proposed budget, and is intended to fund 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 over a five-year time frame from 2019-20 to 2023-24. Additionally, the RCSD has developed a ten-year master plan that emphasizes performance management through a strategic framework for facilities investments that align with the District's educational vision. Schools will be fitted for educational program priorities while maintaining the correct mix of school buildings.

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 to the District, the City monitors on an annual basis the potential impact of the MOE, prior to committing to new CIP funding for the District.

Major Initiatives

The mission of the Rochester City School District is to provide a quality education that ensures students graduate with the skills to be successful in a democratic society and the global economy. This includes providing an environment that is safe and nurturing to students. Everyone should be proud to send his or her children to the Rochester City School District. All departments within the District are working diligently to build on the successes that have contributed to student achievement within the last year. The District accomplishes achievements by adhering to its foundational pillars, and it will continue to disrupt long-standing patterns of failure because students deserve a high-quality education that prepares them for careers and/or college.

Superintendent Dade has unveiled three focus areas, or “three rocks”, which are guiding principles for students, parents, teachers, staff and the entire community who are the heart and soul of the Rochester City School District and are at the core of Superintendent Dade’s leadership.

Rock 1: Changing the Narrative for the RCSD.

The District will celebrate the great stories in schools and classrooms, with the help of our teachers and staff. The District encourages teachers, staff and the community to share these stories on social media.

Rock 2: Laser-like Focus on Teaching and Learning.

The District has strong teachers, families, and community members who together are making great learners.

Rock 3: Unsurpassed Collaboration.

The District will operate as one family to achieve exceptional results together, surrounding itself with dedicated teachers and leaders who share passion and high expectations for students.

In order to achieve results in these three focus areas, Superintendent Dade has identified six main goals that he and his Executive Cabinet team have set for the 2019-20 school year:

1. Achieve a 5% increase in the graduation rate between August 2019 and August 2020.
2. Increase student proficiency in ELA and math by 7% by August 2020.
3. Reduce the disproportionate special education classification of students of color and the disproportionate suspension of students of color by 1.5% by June 2020; and increase the enrollment of students of color in advanced coursework by 5% by June 2020.
4. Reduce chronic absenteeism by 5% by June 2020.

5. In order to better define family engagement by June 2020, we will ensure there is an active Student Leadership Group in all high schools and that all schools will meaningfully engage families in the School-Based Planning Team process, in accordance with the School-Based Planning Team manual.
6. Achieve and maintain fiscal stability by implementing a plan that will put the District on secure financial footing.

Relevant Financial Policies

As a dependent District, the City manages the District's cash. The District evaluates its cash requirements on a daily basis, and any surplus funds are invested by the City, generally in repurchase agreements, for terms that 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 2018-19 was \$365,057.

Legal Requirements

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

AWARDS AND ACKNOWLEDGEMENTS

Awards

For the past thirty 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 that 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, 2018. This was the twenty-ninth 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 District staff involved in the preparation of this report; 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 this high quality CAFR. We also 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,



Terry Dade
Superintendent of Schools



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, 2018

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Rochester City School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2018.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSRM
President

A handwritten signature in black ink, reading 'Siobhán McMahon'.

Siobhán McMahon, CAE
Chief Operating Officer

List of Rochester City School District Officials As of June 30, 2019

MEMBERS OF THE BOARD OF EDUCATION

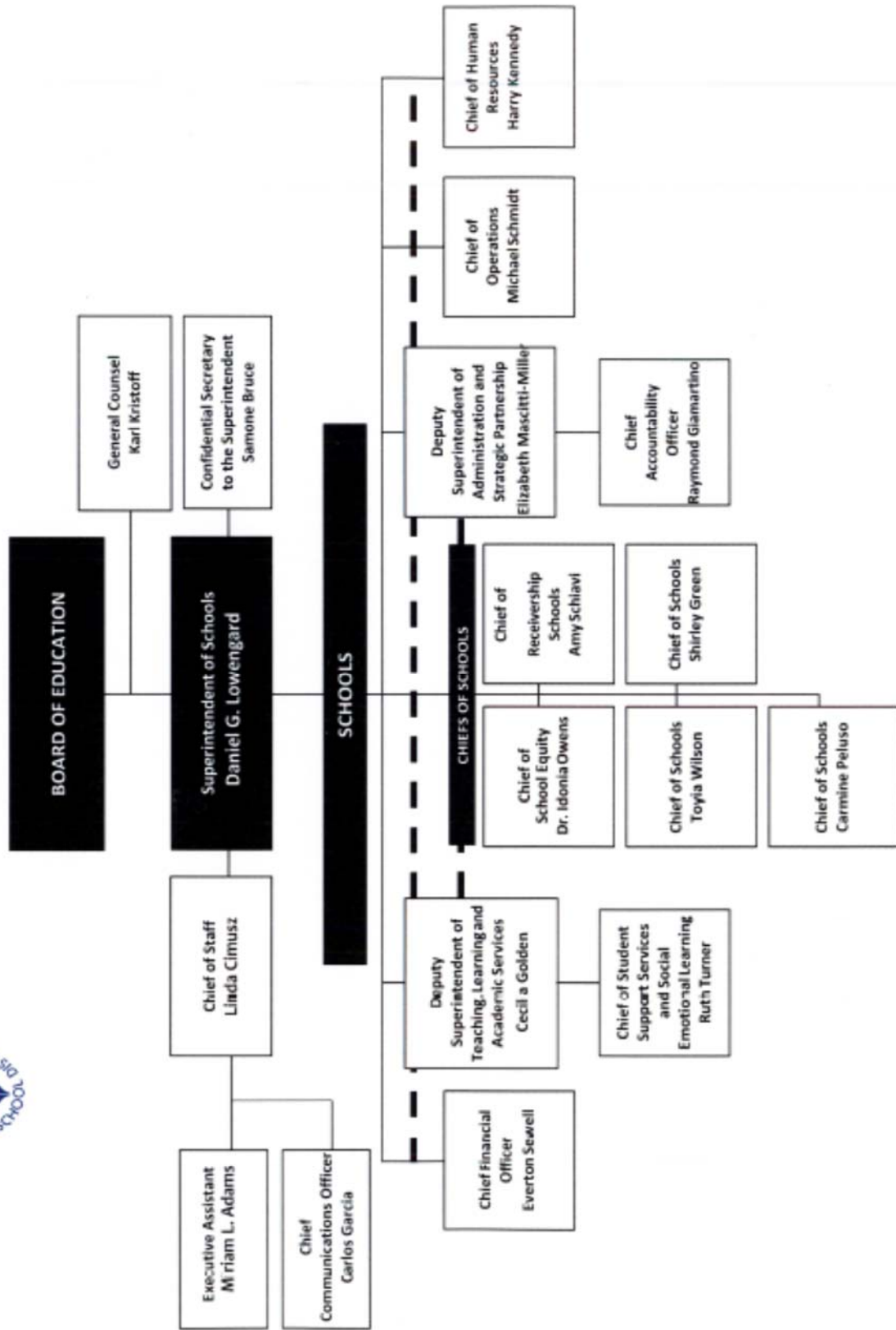
Van Henri White	President
Cynthia Elliott	Vice President
Judith Davis	Member
Elizabeth Hallmark	Member
Beatriz LeBron	Member
Willa Powell	Member
Natalie Sheppard	Member

SUPERINTENDENT'S EXECUTIVE LEADERSHIP TEAM

Daniel G. Lowengard	Interim Superintendent of Schools
Linda Cimusz	Chief of Staff
Carlos Garcia	Chief Communications Officer
Raymond Giamartino	Chief Accountability Officer
Cecilia Golden	Deputy Superintendent of Teaching, Learning and Academic Services
Shirley Green	Chief of Schools
Harry Kennedy	Chief of Human Resources
Karl Kristoff	General Counsel
Elizabeth Mascitti-Miller	Deputy Superintendent of Administration and Strategic Partnership
Idonia Owens	Chief of Schools for Equity
Carmine Peluso	Chief of Schools
Amy Schiavi	Chief of Receivership Schools
Michael Schmidt	Chief of Operations
Everton Sewell	Chief Financial Officer
Ruth Turner	Chief of Student Support Services and Social Emotional Learning
Toyia Wilson	Chief of Schools
Vacant	Chief of Special Education and Related Service



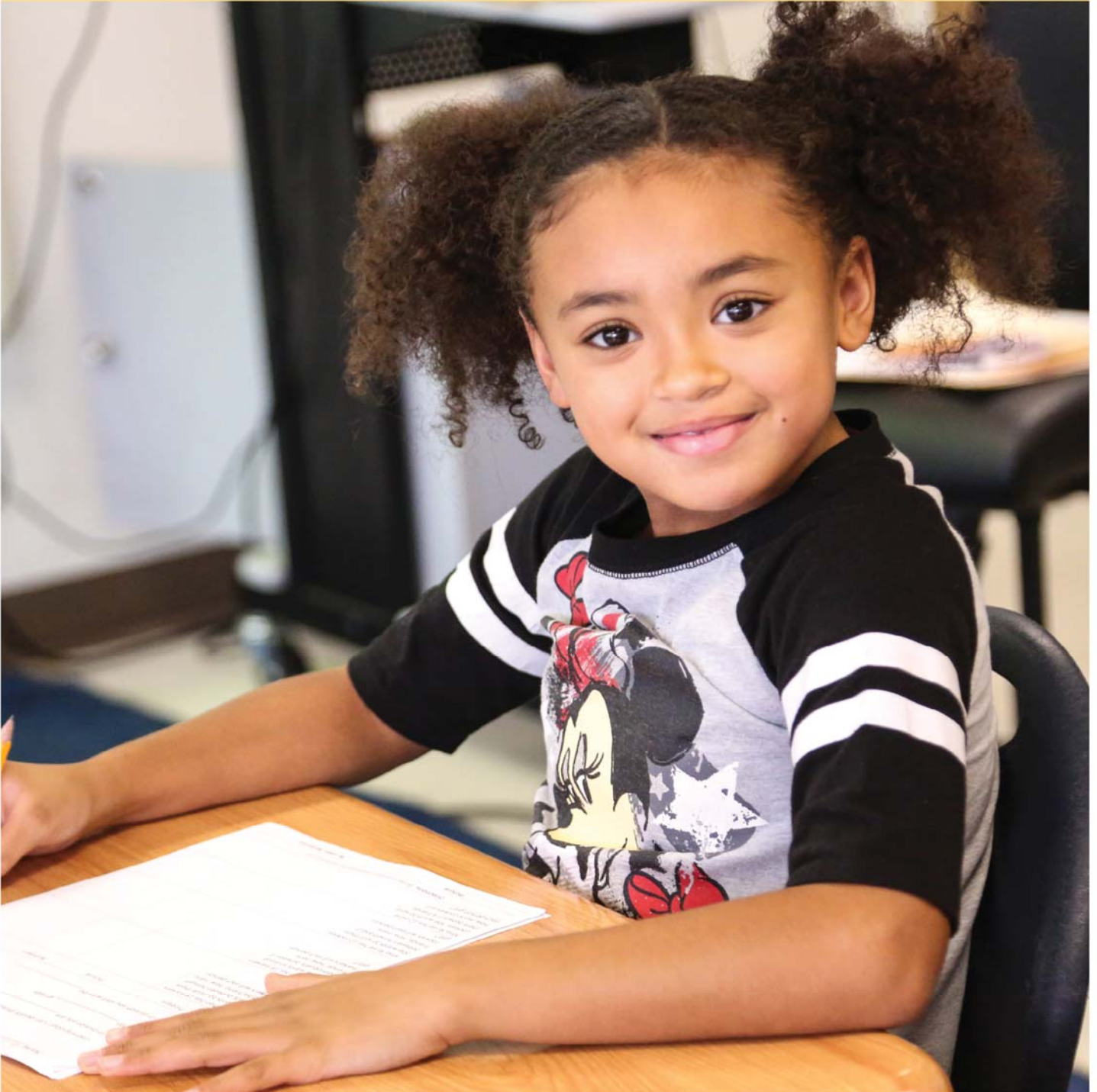
Rochester City School District – Organizational Chart as of June 30, 2019



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Financial



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester New York, as of and for the year ended June 30, 2019, 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 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 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, 2019, and the respective changes in financial position 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 is 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 are 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.

The introductory and statistical sections have 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 3, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
December 3, 2019

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

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. 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, 2019. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The District's government-wide financials reported that the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2019 by \$583,725,815; a decrease of \$87,623,525 in the current year.
- The District's governmental funds reported combined ending fund balances of \$97,202,752. While this represents an increase of \$86,471,851 in the current year, the most significant factor contributing to this increase is a net change in the RJSCB fund balances of \$102,441,357 for financing of the Phase II Facilities Modernization Program (FMP).
- The District ended the year with an operating loss. The District's General fund reported a \$42,449,741 million reduction in the overall fund balance, as compared to the previous fiscal year. Although management planned to utilize \$20,000,000 from fund balance on current year operations, the budget was overspent by \$22,449,741. The primary reasons for this unfavorable result were overspending and under-budgeting in several areas, including: BOCES services, charter school tuition, self-funded health insurance, substitute teacher costs, retirement benefits and transportation.
- The unassigned portion of the fund balance for the General fund was (\$8,916,640). This represents a significant deterioration in the District's financial condition. Fund balance was not sufficient to meet the anticipated debt service reserves, commitments and assignments for areas such as workers' compensation, general liability and health insurance, planned expenditures and encumbrances as part of the next year's budget. As such, the District's current management is taking rapid and deliberate corrective actions to reduce spending while delivering a sustainable model of fiscal responsibility and accountability that permeates throughout the entire organization.

Overview of the 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, 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.

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

Both of the government-wide financial statements present functions of the District that are principally supported by state and federal aid and intergovernmental revenues (*governmental activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services and interest on debt. The government-wide financial statements can be found on pages 35 and 36 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District'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 District. 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

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programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 44 and 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-72 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, liabilities and deferred inflows exceeded assets and deferred outflows by \$583,725,815 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$195,268,096 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 \$887,024,790 reported at June 30, 2019 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 \$108,030,879 is reported on the balance sheet as restricted because its use is limited. Of this amount, \$92,231,024 represents amounts restricted for capital expenditures, \$15,699,855 represents certain proceeds from serial bonds that are limited in use by their respective bond covenants, as well as an amount of \$100,000 held for loans to contractors as a result of an RJSCB settlement agreement.

Rochester City School District's Net Position

Governmental Activities	<u>2017-18</u>	<u>2018-19</u>
Current and other assets	\$ 217,125,157	\$ 288,838,087
Capital assets (net of accumulated depreciation)	736,395,981	830,760,752
Total assets	953,521,138	1,119,598,839
Deferred outflows	213,435,763	178,692,823
Total deferred outflows of resources	213,435,763	178,692,823
Long-term liabilities outstanding	1,405,825,188	1,665,087,728
Other liabilities	198,895,003	167,324,071
Total liabilities	1,604,720,191	1,832,411,799
Deferred pension inflow	58,339,000	49,605,678
Total deferred inflows of resources	58,339,000	49,605,678
Net investment in capital assets	265,896,655	195,268,096
Restricted	8,516,554	108,030,879
Unrestricted (Deficit)	(770,515,499)	(887,024,790)
Total net position	\$ (496,102,290)	\$ (583,725,815)

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“Current and other assets” increased by approximately \$71.7 million during fiscal year 2018-19. This increase is driven by a variety of factors. Restricted cash and cash equivalents increased by approximately \$100.7 million primarily due to the issuance of construction bonds during the year. This was offset by a decrease in unrestricted cash and cash equivalents of \$62.9 million primarily due to the impacts of the significant loss in the District’s General operating fund. The District’s proportionate share of the Teachers’ Retirement System (TRS) pension asset increased by \$18.5 million as compared to the prior year. The TRS pension asset value from year-to-year is a function of a variety of factors such as membership structure, actuarial methods and assumptions, and stock market performance. Additionally, amounts due from other governments increased by approximately \$14.3 million primarily due the timing of 2018-19 State aid receipts that remained outstanding at fiscal year end. The additional increase of \$1.1 million in current and other assets is due to nominal increases in accounts receivable and food service inventory.

“Capital assets (net of accumulated depreciation)” increased by approximately \$94.4 million during fiscal year 2018-19. Buildings and improvements accounted for \$158.8 million of this increase, due mainly to the capitalization of five Facilities Modernization Program (FMP) building renovation projects. Additionally, equipment increased by \$7.5 million, almost half of which was due to Smart Schools Bond Act spending. These increases were offset by decreases in construction in progress of \$71.9 million, again due primarily to the capitalization of five FMP projects placed into service.

“Deferred outflows” decreased by approximately \$34.7 million overall, as compared to the prior year. There were no deferred outflows for Other Post-Employment Benefits (OPEB) recorded at June 30, 2019. However, deferred OPEB outflows of \$21.2 million were recorded at June 30, 2018 in error during the implementation year. The primary reason there are no deferred outflows in the current year is because the actuarial assumptions and census data used in 2018-19 did not change from the prior year’s full valuation. As changes occur in assumptions and census data, deferred inflows and outflows will be generated. The remaining decrease of \$13.5 million was primarily due to a decrease in deferred pension outflows, as well as a nominal decrease in deferred outflows associated with refunding bonds.

“Long-term liabilities outstanding” increased by approximately \$259.3 million overall, as compared to the prior year. This significant increase is primarily attributable to a \$203.1 million net increase of bonds that were issued to finance Phase II of the FMP and the District’s ongoing Capital Improvement Program (CIP) and bond principal payments for existing debt within the District’s debt portfolio. Additionally, amortized premiums associated with these bonds increased by \$30.0 million. The District’s proportionate share of the Employees’ Retirement System (ERS) pension liability increased by \$8.4 million as compared to the previous year. The amount of this liability (or asset) at the end of any given year is the result of a variety of factors such as actuarial assumptions, stock market performance, contribution rates and composition of membership. Claims payable to teachers who retired under the teachers’ retirement incentive offered by the District during fiscal 2018-19 contributed to an additional increase in long-term liabilities of \$8.7 million. Additionally, the liability for other post-employment benefits for retiree health insurance increased by approximately \$13.7 million. All of the aforementioned increases were offset by net decreases of \$3.6 million in amounts due to the State for a lottery aid advance and pension amortization loans, as well as a \$1.0 million decrease in the long-term liability for self-insured workers’ compensation claims.

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The \$31.6 million decrease in “other liabilities” was primarily attributable to a reduction in the amount of Bond Anticipation Notes (BANs) payable of \$28.8 million as compared to the previous year. Significant reductions in the amount of BANs outstanding at the end of any given fiscal year is typically indicative of a BAN to Bond conversion during the fiscal year, as was the case during 2018-19. The remaining \$2.8 million decrease is due to nominal net changes in amounts payable to other entities, as well as unearned revenue recorded at June 30, 2019.

“Deferred pension inflows” decreased by approximately \$8.7 million. 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.

As mentioned previously, the unrestricted deficit of \$887,024,790 reported at the end of fiscal year 2018-19 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>2017-18</u>	<u>2018-19</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,630,841	\$ 3,354,390
Operating grants and contributions	122,652,688	113,264,664
General revenues:		
State & federal aid	571,846,027	586,763,799
Intergovernmental	119,100,000	119,100,000
Lottery aid	70,618,330	68,261,177
Other	8,792,747	20,065,071
Total Revenues	<u>895,640,633</u>	<u>910,809,101</u>
Expenses		
General support:		
Board of Education	774,805	1,267,641
Chief school administrator	998,319	917,981
Finance	6,916,873	7,239,192
Staff	8,850,997	9,925,017
Central Services	78,707,382	87,854,145
Other	8,450,919	9,106,906
Total General Support	<u>104,699,295</u>	<u>116,310,882</u>
Instruction:		
Administration and improvement	74,114,750	78,990,929
Teaching	554,886,851	625,792,535
Instructional media	9,907,240	10,110,572
Pupil services	46,822,107	46,309,779
Total Instruction	<u>685,730,948</u>	<u>761,203,815</u>
Pupil transportation	80,333,612	86,833,529
Community services	2,856,383	2,917,748
Interest on long-term debt	22,575,674	31,166,652
Total Expenses	<u>896,195,912</u>	<u>998,432,626</u>
Increase (decrease) in net position	(555,279)	(87,623,525)
Net Position - Beginning	<u>(495,547,011)</u>	<u>(496,102,290)</u>
Net Position - Ending	<u>\$ (496,102,290)</u>	<u>\$ (583,725,815)</u>

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Program revenues from operating grants and contributions decreased by approximately \$9.4 million, as compared to the previous year. Contributing factors are one-time funding for costs associated with students displaced by hurricanes which was received in 2017-18, learning technology grants that ended in 2017-18, and the receipt of increased funding in 2017-18 for Community Schools' Initiatives and Schools in Receivership to provide additional resources for those schools that have been identified by the State as underperforming.

State and Federal aid increased by approximately \$14.9 million overall during 2018-19 as compared to the previous year. As part of this increase, New York State Basic Formula aid payable under New York State Education Law (NYSEL) 3609a increased by \$20.5 million as compared to the previous year. The allocation of State aid is determined annually by the State of New York using factors such as District enrollment, special education requirements and poverty level. Embedded within the broad category of Basic Formula Aid is Foundation Aid, a formula driven aid, and reimbursable aids that require a district to incur expenses in advance of subsequent reimbursement the following year or years by the State. Reimbursable aids are provided for items such as transportation services and building aid. Charter School Supplemental Basic Tuition increased by \$3.0 million primarily due to increased enrollments and per student reimbursement rates. State Excess Cost Aid increased by approximately \$2.9 million as compared to the previous year. Excess Cost Aid is aid provided to the District for certain resident students with disabilities, which require special education at approved public and private schools. This aid is provided to partially defray the costs of educating children who require care in settings beyond that which is provided to disabled children who are able to be integrated within the traditional school environment. An additional net increase of \$0.8 million was due to nominal year-to-year variances in other aid such as school lunch, textbooks, hardware and software and library aids. These increases were offset by reduced New York State reimbursements in association with the Smart Schools Bond Act of 2014. This funding is used to offset District costs for facilities renovations for Pre-K programs, whiteboards, computers, internet connectivity and high-tech security. Under the Smart Schools Bond Act, the District has been designated to receive a total allocation of \$47.0 million in aid over several years beginning in 2017-18 to support technology-enabled education and broadband connectivity. The District recorded \$7.8 million in funding associated with the Smart Schools Bond Act in the District's Capital fund in the current year, as compared to \$20.1 million in the prior year, or a decrease of \$12.3 million.

Lottery aid decreased by approximately \$2.4 million during 2018-19 as compared to the previous year. Annual proceeds from the New York State Lottery are used to support elementary, middle and secondary education. The District's share of the lottery proceeds is computed according to an equalized formula based on taxable property wealth per pupil and varies in accordance with participation rates from year to year.

Buffalo, New York City, Rochester, Syracuse, and Yonkers, each with populations over 125,000, are referred to as "the Big 5" city school districts. These city school districts do not levy taxes to raise revenues as do the rest of the State's school districts. Rather, they are dependent on the portion of the city budget devoted to education each year for the local share of their budgets. The cities differ in the extent to which they allocate a portion of their budget for education; however, they must comply with certain legal requirements to demonstrate a "maintenance of effort" in this regard. Currently, the District receives a designated amount of \$119.1 million per

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fiscal year as its allocation from the City of Rochester's budget. This amount was reduced from \$126.1 million in fiscal 2004-05 and has remained level since that time.

Other revenue increased by approximately \$11.3 million, as compared to the previous year primarily due to increases in stop loss reimbursements for claims exceeding \$500,000 associated with the District's self-insured health plan of approximately \$2.2 million, refunds of prior year expenditures for items such as tuition adjustments of approximately \$2.2 million, increases in premiums for bonds issued during the current year of approximately \$5.6 million, with the remaining increase of \$1.3 million primarily attributable to reimbursements for equipment that the District received in association with the E-Rate program. The E-rate program provides discounts to assist eligible schools and libraries to obtain affordable internet access and telecommunications services.

Board of Education expenses under general support increased by approximately \$0.5 million as compared to the previous year. The primary reason for this increase is due to costs associated with the Superintendent's search and services provided by the Distinguished Educator who was appointed by the NYS Education Department to assist the District in improving performance.

While most other areas of general support maintained a level amount of operating expenditures overall from 2017-18 to 2018-19, expenses on a government-wide basis increased in various general support programs for the proportionate share of long-term liabilities such as deferred contribution pension loans, retiree health insurance, and self-funded workers' compensation claims. As a result, expenses for finance increased by \$0.3 million, expenses for other general support staff such as human capital initiatives ("HR"), legal and communications increased by \$1.1 million, and expenses for central services such as plant facilities and maintenance, food service, the distribution center, the print shop, and non-instructional IT support increased by \$9.1 million. Similarly, other general support expenses for administrative items such as general liability and student accident insurance, dues, adjustments and disallowances, write-offs and costs to fund the preschool program that are in excess of grant funding increased by \$0.7 million.

Instructional administration and improvement expenses for curriculum, school administrative staff, records management and professional learning and related incentive payments increased by approximately \$4.9 million, as compared to the previous year. Similar to general support programs, the year-to-year operating expenditures for these areas remained stable, with the increase being driven by expenses for longer-term liabilities for deferred contribution pension loans, the District's share of the State pension, retiree health insurance, the early teachers' retirement incentive and self-funded workers' compensation claims.

Teaching expenses increased by approximately \$70.9 million, as compared to the previous year. This unprecedented increase is due to multiple factors, some of which have become targeted areas of focus for the current administration. Instructional salaries for regular education in the District's general operating fund increased by \$12.1 million as compared to the previous year, as grant funded instructional salaries decreased by \$4.3 million. This is partially due to the fact that as grants that fund instructional staff expire, the operating fund is used to sustain and fund some of these teaching positions. Substitute teacher costs continued to rise for the 5th consecutive year by \$0.9 million as compared to actual substitute expenses in 2017-18. Of this increase, \$0.5 million is attributable to substitutes used to fill vacancies, and \$0.4 million is for substitutes due

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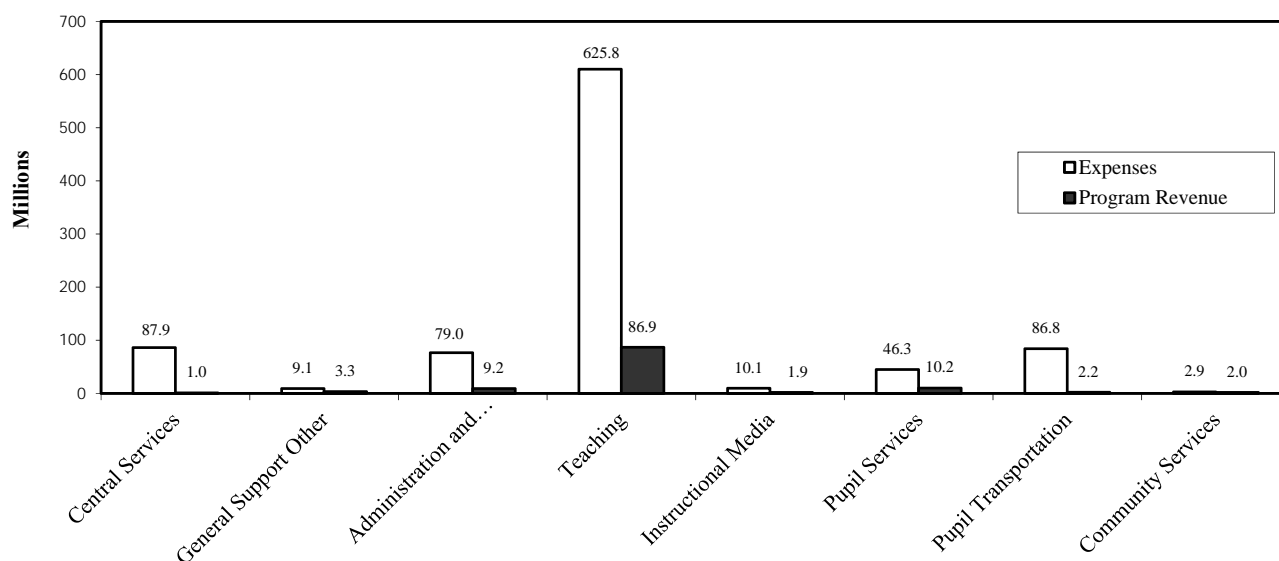
to teacher absences. Charter school tuition payments increased by \$8.6 million as compared to the previous year due to a \$594 per student rate increase in 2018-19, as well as an increase of 380 full-time equivalent students as compared to the previous year. Teaching positions increased by 250.60 FTEs as compared to the previous year. When factoring in salaries, benefits and contractual increases for these additional positions, this equates to an approximate \$25.0 million in additional teaching expenses as compared to the previous year. The additional \$28.6 million increase is primarily attributable to expenses recorded for long-term liabilities previously mentioned, such as deferred contribution pension loans, the District's share of the State pension, retiree health insurance, the early teachers' retirement incentive and self-funded workers' compensation claims.

Pupil services expenses decreased by approximately \$0.5 million, as compared to the previous year. This is primarily due to a reclassification of school psychologists from pupil services to the special education department.

Transportation expenses increased by approximately \$6.5 million, as compared to the previous year. Similar to various general support programs previously discussed, the transportation department's operating expenditures were relatively stable from year to year, however, the allocation of expenses for long-term liabilities such as a deferred contribution pension loan, the District's share of the New York State Employees' pension, retiree health insurance and self-funded workers' compensation claims were attributable to the overall increase.

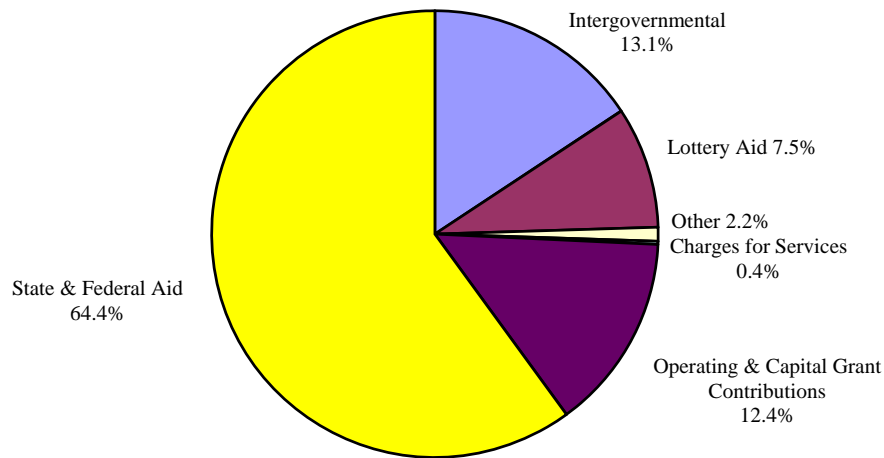
Interest on long-term debt increased by approximately \$8.6 million, as compared to the previous year. Interest payments on bonds are based on the debt structure and resulting amortization schedules. Interest payments on long-term debt continue to increase as bonds for the FMP continue to be issued. These interest payments are offset by State building aid.

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



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Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental fund balance of funds reported a combined ending fund balance of \$97,202,752, an increase of \$86,471,851 from the prior year's fund balance of \$10,730,901. Components of the fund balance consist of a nonspendable fund balance of \$1,121,494, a restricted fund balance of \$108,030,879, a committed fund balance of \$148,808, an assigned fund balance of \$1,093,235 and an unassigned, deficit fund balance of (\$13,191,664). 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 primarily comprised of cash set-aside for future debt payments associated with the Facilities Modernization Program. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education or their designee. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

The primary reason for the approximately \$86.5 million increase was the issuance of bonds to fund construction and renovations for the District's ongoing Capital Improvement Program (CIP) and the Facilities Modernization Program (FMP).

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General Fund

The General fund is the chief operating fund of the District. At the end of the current fiscal year, the District recorded \$403,410 in prepayments classified as non-spendable fund balance, \$15,699,855 of restricted fund balance to apply to future debt service payments and an unassigned fund balance of (\$8,916,640). 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. At June 30, 2019, unassigned balances totaled (\$8,916,640), or approximately -1.2% of the total fund operating expenditures of \$726,456,640. Furthermore, the District's General fund balance policy currently requires a minimum of 5% of unrestricted fund balance as a percentage of operating expenditures. Since the District ended the year at -1.2%, multi-year projections to restore the fund balance by a minimum of 1.0% per year over the next several years in accordance with the District's fund balance policy are being developed. For additional information on the District's fund balance policy, refer to Note I. E. 13. of this report.

The District recognizes the urgent need to replenish the District's General fund balance while restoring financial stability to the fund. Over the past five years, the District has added more than 1,000 FTE positions as District enrollments continue to decline. As such, the District is faced with difficult and imminent decisions surrounding the right-sizing of the District's footprint. Immediate actions have been taken with respect to hiring freezes, a true-up of school and program staffing, and the implementation of procedures to reduce substitute costs. Additional areas under review include, but are not limited to, the structures of summer school, the Pre-K program, BOCES services and expanded learning time, healthcare plan efficiencies, professional development, non-mandated service contracts, bargaining unit contract negotiations and staffing levels throughout the District. Additionally, several areas of revenue including, but not limited to, Medicaid, high-cost aid, and tuition reimbursements for non-resident and McKinney Vento placements are being reviewed by both District management and external experts in these specific areas (at no additional cost to the District) in order to ensure that the District's budgeted amounts are reflected accurately and that the District's revenue sources are being fully maximized. By taking these actions, the District will restore the General fund balance to a healthier position that better supports the goals of serving our children and the community, while concurrently continuing the focus on educational improvement.

In the aggregate, revenues and other financing sources increased by 4.9%, or approximately \$35.6 million, while expenditures and other financing uses increased by 8.3%, or approximately \$61.8 million from fiscal year 2017-18 to fiscal year 2018-19. The continued outpacing of increased expenditures as compared to increased revenues from year to year contributed to a decrease in the fund balance of the General fund of approximately \$42.4 million. The other major factors as previously mentioned were a combination of underbudgeting and overexpending in several areas.

Revenues from other local sources increased by approximately \$4.2 million, as compared to the previous fiscal year. This was partially due to an increase of \$2.2 stop-loss reimbursements in 2018-19, as compared to the previous year, which corresponds with an increase in high-cost healthcare claims that occurred during the year. Stop-loss reimbursements occur when an individual health insurance claim exceeds \$500,000. As a self-insured entity with stop-loss coverage, the District is reimbursed for any individual claim amount in excess of \$500,000.

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Refunds of prior years' expenditures also increased by approximately \$2.2 million as a result of tuition rate adjustments and health care rebates. These increases were offset by \$0.2 million in decreases for E-Rate revenues and facilities rental income.

Revenues from state sources increased by approximately \$24.9 million overall, as compared to the previous fiscal year, or 4.2%. Of this increase, \$20.5 million was attributable to an increase in 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. Excess Cost Aid increased by \$2.9 million as compared to the previous year. Excess cost aid is granted for public school students with disabilities attending private schools or for students with disabilities attending public schools whose educational requirements exceed a formula-driven financial threshold. The amount of Excess Cost Aid granted in any given year is based on student enrollment, educational service requirements, and the timing of submissions for claim reimbursements. State Charter School Supplemental Basic Tuition increased by \$3.0 million as compared to the previous year due to per student rate and enrollment increases. Pursuant to amendments to NYSEL 2856 (1), in 2017-18 and thereafter, school districts will receive an apportionment equal to the amount of Supplemental Basic Tuition paid to Charter schools in each year. State Lottery and Commercial Gaming Aid decreased by \$0.7 million as compared to the previous year. Annual proceeds from the New York State Lottery are used to support elementary, middle and secondary education. Lottery apportionments are contingent upon the amount of lottery proceeds collected within any given year. The remaining \$0.8 million decrease in revenues from State sources was the net decrease in aid such as legislative aid, aid for incarcerated and homeless students, and tuition for students with disabilities.

Federal revenues decreased by approximately \$0.3 million, as compared to the previous year, or -5.8%. This reimbursement decrease was a result of decreased compliance for parental consents and prescriptions, as well as other administrative criteria necessary in submitting Medicaid claims.

District operating expenditures in the General fund increased by \$43.7 million overall, or 6.4% over the previous fiscal year and as previously mentioned, this increase in operating expenditures significantly outpaced the increase in operating revenues with comparative increases of only \$28.8 million and 4.0%.

Expenditures for general support staff and programs increased as follows: general support staff increased by \$0.2 million, or 2.0% primarily due to increases in contractual expenses and benefits for legal, HCI and communications staff, similarly central services expenditures for facilities and maintenance, storehouse, printing and mailing and non-instructional IT support increased by approximately \$2.1 million, or 4.1%, for similar reasons. Other general support expenditures decreased by approximately \$0.8 million, or -6.4%, as compared to the previous year. Of this decrease, \$0.6 million was primarily due to decreases in expenditures for unclassified and special items such as write-offs, disallowances and indirect costs, while the remaining \$0.2 decrease was primarily due to reductions in salaries for finance and central administrative staff.

Instructional related expenditures for teaching (general education programs) increased by \$24.1 million overall, or 8.7%, during 2018-19 as compared to the previous year. Approximately \$8.4 million of this increase is attributable to increases in Charter school regular education tuition. The remaining increase of approximately \$15.7 million is due to additional teaching positions

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

added during fiscal 2018-19, as well as increases in contractual salaries and benefits for existing teaching staff as well as substitute costs.

Expenditures for special programs such as occupational education and special education increased by \$19.4 million overall, or 13.9%. Special education salaries increased by \$10.5 million, as special education tuition for students placed at private and other public schools also increased by approximately \$1.9 million. Similarly, salaries and expenditures for occupational education programs increased by approximately \$3.5 million. The remaining increase of \$3.5 is attributable to substitute costs and benefit increases associated with increased staff for these programs.

Expenditures for other instructional expenditures increased by approximately \$1.5 million or 1.3% in fiscal 2018-19 as compared to the previous year. Of this increase, approximately \$1.2 million is attributable to increases in various programs that provide social and emotional support to students. With the remaining increase of \$0.3 million being primarily attributable to increases in expenditures for athletic programs.

Expenditures for debt service principal decreased by approximately \$3.3 million, or -90.0%. Of the \$3.3 million decrease, approximately \$2.7 million is attributable to a reclassification of principal payments as transfers out for consistency in reporting and presentation with the City financials. The remaining \$0.6 million is attributable to decreases in fixed amortization repayment schedules.

Transfers into the General fund increased by approximately \$6.8 million, or 149.2%. Of this amount, \$3.3 million is attributable to an increase of premium and interest earned during the fiscal year that was transferred in from the Debt Service fund. The remaining amount of \$3.5 million is attributable to increases in transfers in from the RJSCB fund to pay interest on debt.

Transfers out of the General fund increased by approximately \$18.1 million, or 27.5%. As previously mentioned, approximately \$2.7 million of this is attributable to a reclassification of principal expenditures. The additional \$15.4 million increase is primarily attributable to increases in amortized FMP Bond payments paid out of the General fund and recorded in the Debt Service fund.

Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2017-18 to fiscal year 2018-19, as the Special Aid fund maintains a "zero" fund balance from year to year. Revenues and other sources and expenditures and other uses for grant funding decreased by approximately \$7.5 million, or 6.0%, as compared to the previous fiscal year. As mentioned previously, the primary reasons for this are one-time funding received in 2017-18 for costs associated with students displaced by hurricane, learning technology grants that ended in 2017-18, and the receipt of increased funding in 2017-18 for Community Schools' Initiatives and Schools in Receivership to provide additional resources for those schools that have been identified by the State as underperforming. Although the end dates of these Community Schools and Receivership grants were extended until 2020, the majority of expenses were incurred in the fiscal year 2017-18.

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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School Food Service

Revenues increased by approximately \$0.9 million, or 3.7%, in the School Food Service fund during fiscal 2018-19 as compared to the prior year, while expenditures remained stable between years.

The revenue increase is attributable to the receipt of an Aramark final settlement related to contractual performance in the amount of \$0.4 million. The remaining \$0.5 million increase in revenue is primarily due to an increase in utilization of federal surplus commodities which are foods that are donated from the Federal government to the District. This Federally sponsored program promotes healthier options through the purchase of fresh fruits and vegetables. In accordance with governmental accounting principles, these commodities are recorded as a revenue and an expenditure at an amount equal to the commodity value provided by the Federal government.

Debt Service

The City, at the request of the District, issues debt for the District that 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 2018-19. Any surplus 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 fund and are used for repayment of future debt service requirements as per local finance law.

Capital Projects

The fund balance for the Capital fund for fiscal year 2018-19 increased by \$26.0 million as compared to the previous year. The primary reason for this increase is the issuance of a bond during the 2018-19 fiscal year to finance the District's ongoing Capital Improvement Plan which increased the amount of revenue from other sources in the fund.

Revenue from state and local sources in the Capital fund decreased by approximately \$15.1 million, or 74.8% as compared to the previous year. This change was primarily due to a decrease in Smart School Bond Act (SSBA) reimbursements.

Capital outlay for construction expenditures decreased by approximately \$6.5 million, or 15.0% as compared to the previous year, due to an \$11.4 million decrease in SSBA expenditures, offset partially by a \$4.9 million increase in construction project expenditures. Other financing sources increase by \$44.8 million due almost entirely to the issuance of the Series 2019 bond mentioned above.

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 fund increased by \$102.4 million as compared to the previous year. This increase is primarily due to the issuance of the Series 2018 COMIDA Bond and its premium during 2018-19. COMIDA Bonds are issued by the Monroe

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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County Industrial Development Agency on behalf of the RJSCB. As construction expenditures occur in association with the projects funded by these bonds, the fund balance will decline until such time future funding is obtained.

Revenue from State and Local sources increased by \$6.7 million due to SSBA funding of \$4.2 million and a \$2.5 million increase in interest income. Total expenditures decreased by \$1.7 million mainly due to a slight decrease in Phase II project construction expenditures.

The net increase of other financing sources and uses was \$76.2 million primarily due the increase in the amount of bonds issued from year to year of \$73.6 million, as well as an increase in premiums associated with those bonds in the amount of \$8.7 million. These increases were offset by net decreases of \$6.1 million which were primarily attributable to transfers out to the General fund for interest payments.

General Fund Budgetary Highlights

	Budgeted Amounts		Actual	Variance with Final Budget
	Adopted	Final		
<u>Revenues</u>				
Local sources	\$ 128,182,480	\$ 132,993,767	\$ 132,993,767	\$ -
State sources	622,465,596	618,408,416	618,408,416	-
Federal sources	2,100,000	5,174,789	5,174,789	-
Other financing sources - transfers in	5,837,153	11,373,263	11,373,263	-
	<u>\$ 758,585,229</u>	<u>\$ 767,950,235</u>	<u>\$ 767,950,235</u>	<u>\$ -</u>
<u>Expenditures</u>				
General support	\$ 58,261,297	\$ 58,655,637	\$ 58,641,560	\$ 14,077
Instructional	429,387,193	404,167,175	431,849,739	(27,682,564)
Pupil transportation	74,736,592	76,603,688	76,663,937	(60,249)
Community services	779,821	558,843	555,256	3,587
Employee benefits	134,631,661	157,455,068	157,183,039	272,029
Debt service	4,312,402	1,566,401	1,563,109	3,292
Other financing uses - transfers out	76,476,263	83,943,423	83,943,336	87
	<u>778,585,229</u>	<u>782,950,235</u>	<u>810,399,976</u>	<u>\$ (27,449,741)</u>
Excess (deficiency) of revenues and other financings sources over expenditures and other financing uses	<u>\$ (20,000,000)</u>	<u>\$ (15,000,000)</u>	<u>\$ (42,449,741)</u>	<u>\$ (27,449,741)</u>

Adopted Budget Compared to Final Budget

Significant changes between the original and final amended budgets for general fund revenues occurred due to a net increase in Local, State, and Federal sources of \$3.8 million dollars. This net increase is almost entirely due to increases in stop loss reimbursement for health insurance (due to a high volume of high-cost claims), prior year refunds, capital fund interest earnings, and QSCB subsidies.

An increase of \$5.5 million occurred for transfers in to the General fund due to higher than anticipated borrowing levels for the financing of FMP construction during the fiscal year.

**ROCHESTER CITY SCHOOL DISTRICT
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The most significant general fund expenditure budget changes occurred in the instructional, pupil transportation and employee benefit categories. Instructional reductions of approximately \$25.2 million mainly represent the use of the contingency fund budget line to offset shortfalls in other areas of operations, specifically employee benefits and pupil transportation. Pupil transportation increased by \$1.9 million due to increased routing demands for Charter schools and to accommodate program scheduling needs for District initiatives that evolved during the course of the fiscal year. The employee benefits category increased by \$22.8 million due to unanticipated increase in the District's health and dental insurance costs of the District's self-funded plan, as well as increases in the benefit projections for the retirement systems and social security.

Transfers out increased by \$7.5 million due to higher than anticipated borrowing levels during the fiscal year for funding of the Phase II of the Facilities Modernization Plan.

Final Budget Compared to Actual Results

Revenues for local sources experienced no variance to the final budget, because the final budget was adjusted to reflect \$9.4 million in new revenues as described above.

The most significant expenditure variances between the General fund final budget and actual expenditures were unfavorable variances in the instructional category of \$27.7 million. This represents the use of the contingency fund line, which is included in the instructional category, to cover shortfalls that occurred in several areas of the budget. The main areas where the budget was overspent include health and dental benefits by approximately \$16.0 million and substitute teacher costs by approximately \$7.0 million. A significant number of high cost claims occurred during the year in association with the District's self-insurance plan which contributed to unexpected cost overruns for health insurance. A high number of vacancies resulted in unexpected increases in substitute teacher costs. The District is urgently working to manage and redress these issues as part of the realignment and right-sizing of the District's operating budget.

Capital Asset and Debt Administration

Capital assets. The District's capital assets, net of depreciation, for its governmental activities as of June 30, 2019 amounted to \$830,760,752. 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 \$94,364,771.

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

- Ongoing repairs and improvements. The District added \$28.5 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 \$110.0 million in capital assets for the District during fiscal year 2018-19. These asset additions were mainly for the construction and renovation of the buildings included within

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Phase II of the Rochester School Modernization Program (RSMP). The overall project budget for Phase II of the RSMP is \$435.0 million over five years. The anticipated completion timeframe of Phase II is the fall of 2022.

Capital Assets (Net of Depreciation) - Governmental Activities

	<u>2017-18</u>	<u>2018-19</u>
Land	\$ 17,349,160	\$ 17,349,160
Buildings & Improvements	506,361,574	665,118,807
Equipment & Other	11,961,179	19,447,551
Construction in Progress	200,724,068	128,845,234
Total	<u><u>\$ 736,395,981</u></u>	<u><u>\$ 830,760,752</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>2017-18</u>	<u>2018-19</u>
RCSD Bonds	\$ 99,036,602	\$ 126,212,706
RJSCB Bonds	340,230,000	516,140,000
Total	<u><u>\$ 439,266,602</u></u>	<u><u>\$ 642,352,706</u></u>

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

The legal debt margin of the District is established by the City of Rochester Charter. The limit is 3½% of the most recent five-year average of full valuation of taxable real estate for capital purposes. The debt limit at June 30, 2019 was \$225,082,223 leaving a debt-contracting margin of \$79,869,517. 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. The Rochester's economy has experienced significant transformation and losses in manufacturing that have been offset by gains in other sectors, particularly in education, health care, and other growing small and mid-sized business sectors. 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 economic well-being of the community including the job market and household incomes continue to have less growth than the average rate in the country and New York State. The cost of educating our children continues to outpace State and federal revenues. The District began the 2019-20 budget planning process with a projected \$48.0 million deficit. The key cost

**ROCHESTER CITY SCHOOL DISTRICT
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drivers are year-to-year increases of \$4.6 million in employee benefits due to rising health care costs, or a 3.0% increase from the 2018-19 Amended Budget; \$8.1 million in charter school tuition costs based on continuing growth in enrollment and expansion of existing charter schools, or a 10.0% increase from the 2018-19 Amended Budget; an increase of \$2.6 million in student transportation contracts, or a 4.0% increase, from the 2018-19 Amended Budget and \$1.4 million in the local share of debt service that is not offset by State Aid to fund bond payments associated with the continuing Facilities Modernization Plan. The key change to close the budget deficit is the reduction of 295.26 FTEs from the 2017-18 Amended Budget across all funds. This reflects the District's effort to align teaching and support staffing levels to account for declining student enrollment, and to freeze and reduce vacant positions. Additionally, the District has budgeted to manage a reduction in utilization of substitute teachers and temporary support staff. Despite these cost reductions, the 2019-20 budget sustains funding for District priorities such as the Facilities Modernization Plan projects, East High School Educational Partnership Organization, expanding special education, bilingual and dual language programs, building community schools, and providing emotional learning and academic support programs. The District continues to secure additional grants and other subsidies and capitalized interest to offset spending increases.

General Fund

The 2019-20 original budget of \$790,571,815 represents an increase of approximately 1.0% from the 2018-19 amended budget of \$782,950,235. The increase is a combination of "right-sizing" the budget as certain areas in the prior year's budget were underbudgeted as well as rising costs. Rising cost areas continue to be areas such as: contractual salary and benefit increases, increases in Charter School tuition and health insurance for active and retired employees.

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, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 49,475,393
Restricted Cash and Cash Equivalents	128,865,474
Accounts Receivable	4,364,216
Due from Other Governments	74,174,484
Prepayments	535,054
Inventories	641,445
TRS Pension Asset, Proportionate Share	30,782,021
Capital Assets (net of accumulated depreciation):	
Land	17,349,160
Buildings and Improvements	665,118,807
Equipment and Other	19,447,551
Construction In Progress	128,845,234
Total Assets	1,119,598,839
Deferred Outflows of Resources	
Deferred Charge on Refunding, Net of Amortization	1,098,952
Deferred Pension Outflow	177,593,871
Total Deferred Outflows of Resources	178,692,823
Liabilities	
Accounts Payable and Accrued Liabilities	95,531,639
Due To Fiduciary Funds	10,540,383
Due To Other Governments	7,197,844
Due To Retirement Systems	33,030,753
Unearned Revenue	2,023,452
Notes Payable, BANs	19,000,000
Noncurrent Liabilities:	
Retainages Payable	5,551,589
Due Within One Year	73,050,161
Due in More Than One Year	1,586,485,978
Total Liabilities	1,832,411,799
Deferred Inflows of Resources	
Deferred Pension Inflow	49,605,678
Total Deferred Inflows of Resources	49,605,678
Net Position	
Net Investment in Capital Assets	195,268,096
Restricted for Capital Expenditures	92,231,024
Restricted for Debt Service	15,699,855
Restricted for Revolving Loan Program	100,000
Unrestricted (Deficit)	(887,024,790)
Total Net Position	\$ (583,725,815)

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, 2019**

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	\$ 1,267,641	\$ -	\$ -	\$ (1,267,641)
Chief School Administrator	917,981	-	-	(917,981)
Finance	7,239,192	-	-	(7,239,192)
Staff	9,925,017	-	-	(9,925,017)
Central Services	87,854,145	879,454	115,976	(86,858,715)
Other	9,106,906	-	3,275,111	(5,831,795)
Total General Support	116,310,882	879,454	3,391,087	(112,040,341)
Instruction:				
Administration and Improvement	78,990,929	-	9,189,466	(69,801,463)
Teaching	625,792,535	2,474,936	84,447,467	(538,870,132)
Instructional Media	10,110,572	-	1,877,090	(8,233,482)
Pupil Services	46,309,779	-	10,170,440	(36,139,339)
Total Instruction	761,203,815	2,474,936	105,684,463	(653,044,416)
Pupil Transportation	86,833,529	-	2,160,942	(84,672,587)
Community Services	2,917,748	-	2,028,172	(889,576)
Interest on Long-Term Debt	31,166,652	-	-	(31,166,652)
Total Governmental Activities	\$ 998,432,626	\$ 3,354,390	\$ 113,264,664	(881,813,572)
General Revenues:				
Intergovernmental				119,100,000
Use of Money and Property				7,447,701
State and Federal Aid				586,763,799
Lottery Aid				68,261,177
Miscellaneous				12,617,370
Subtotal, General Revenues				794,190,047
Excess (Deficiency) of Revenues over Expenses				(87,623,525)
Net Position - Beginning				(496,102,290)
Net Position - Ending				\$ (583,725,815)

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET, GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 49,468,998	\$ -	\$ 6,395
Restricted cash and cash equivalents	12,748,547	-	-
Receivables:			
Accounts	4,037,498	59,474	67,114
Due from other funds	22,097,558	1,672,499	602,957
Due from other governments	39,679,581	32,671,223	1,823,680
Prepayments	403,410	55,005	-
Inventories at cost	-	-	641,445
Total assets	<u>\$ 128,435,592</u>	<u>\$ 34,458,201</u>	<u>\$ 3,141,591</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 56,236,853	\$ 7,432,695	\$ 1,036,077
Due to other funds	30,581,946	19,498,593	107,140
Due to other governments	6,191,309	1,006,535	-
Due to retirement systems	28,214,992	4,520,793	263,694
Unearned revenues	23,867	1,999,585	-
Notes payable - BANS	-	-	-
Total liabilities	<u>121,248,967</u>	<u>34,458,201</u>	<u>1,406,911</u>
Fund balances:			
Nonspendable			
Inventory	-	-	641,445
Prepayments	403,410	-	-
Restricted For			
Capital expenditures	-	-	-
Debt service	15,699,855	-	-
Revolving loan program	-	-	-
Committed For			
Revolving loan program	-	-	-
Assigned For			
School food service	-	-	1,093,235
Unassigned	(8,916,640)	-	-
Total fund balance	<u>7,186,625</u>	<u>-</u>	<u>1,734,680</u>
Total liabilities and fund balances	<u>\$ 128,435,592</u>	<u>\$ 34,458,201</u>	<u>\$ 3,141,591</u>

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

Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ -	\$ 49,475,393
769,291	115,347,636	128,865,474
-	200,130	4,364,216
15,673,171	-	40,046,185
-	-	74,174,484
-	76,639	535,054
-	-	641,445
<u>\$ 16,442,462</u>	<u>\$ 115,624,405</u>	<u>\$ 298,102,251</u>

\$ 1,686,212	\$ 22,669,045	\$ 89,060,882
-	398,889	50,586,568
-	-	7,197,844
31,274	-	33,030,753
-	-	2,023,452
<u>19,000,000</u>	<u>-</u>	<u>19,000,000</u>
<u>20,717,486</u>	<u>23,067,934</u>	<u>200,899,499</u>

-	-	641,445
-	76,639	480,049
-	92,231,024	92,231,024
-	-	15,699,855
-	100,000	100,000
-	148,808	148,808
-	-	1,093,235
<u>(4,275,024)</u>	<u>-</u>	<u>(13,191,664)</u>
<u>(4,275,024)</u>	<u>92,556,471</u>	<u>97,202,752</u>
<u>\$ 16,442,462</u>	<u>\$ 115,624,405</u>	<u>\$ 298,102,251</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

Amounts reported in governmental activities in the statement of net position (page 35) are different because:

Total fund balances (page 38)	\$ 97,202,752
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	701,915,518
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	128,845,234
Deferred charges on refunding net of amortization are not available resources and, therefore, are not reported in the funds.	1,098,952
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.	(1,551,531,568)
Pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,954,426)
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,782,021
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.	127,988,193
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(6,470,757)
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.	(11,594,000)
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.	(86,007,734)
Net position of governmental activities	<u>\$ (583,725,815)</u>

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

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ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (continued next page)

	General	Special Aid
Revenues		
Local sources:		
Use of money and property (interest and rent)	\$ 437,700	\$ -
Intergovernmental	119,100,000	-
Other	13,456,067	3,932,025
State sources	618,408,416	61,678,003
Federal sources	5,174,789	47,654,637
Surplus food	-	-
Sales	-	-
Total revenues	<u>756,576,972</u>	<u>113,264,665</u>
Expenditures		
Current:		
General Support:		
Staff	9,320,672	-
Central services	52,811,229	115,976
Other	11,628,373	3,275,111
Instructional:		
Teaching - regular school	299,244,827	27,542,843
Special apportionment programs	158,471,553	22,395,907
Other	113,132,671	58,934,645
Pupil transportation	79,537,221	2,160,942
Community services	746,985	2,028,172
Cost of sales	-	-
Debt service:		
Principal	366,839	-
Interest	1,196,270	-
Bond issue costs	-	-
Capital outlay	-	-
Total expenditures	<u>726,456,640</u>	<u>116,453,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,120,332</u>	<u>(3,188,931)</u>
Other Financing Sources (Uses)		
Bonds issued	-	-
Net premium on debt issuance	-	-
Transfers in	11,373,263	3,188,931
Transfers out	(83,943,336)	-
Total other financing sources (uses)	<u>(72,570,073)</u>	<u>3,188,931</u>
Net change in fund balances	(42,449,741)	-
Fund balances - beginning	49,636,366	-
Fund balances - ending	<u>\$ 7,186,625</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
\$ -	\$ 3,964,700	\$ -	\$ 3,045,301	\$ 7,447,701
-	-	-	-	119,100,000
761,588	-	1,493,437	142,802	19,785,919
525,013	-	3,565,222	4,200,000	688,376,654
21,075,971	-	-	-	73,905,397
1,408,898	-	-	-	1,408,898
117,866	-	-	-	117,866
<u>23,889,336</u>	<u>3,964,700</u>	<u>5,058,659</u>	<u>7,388,103</u>	<u>910,142,435</u>
-	-	-	-	9,320,672
-	-	-	-	52,927,205
13,423,307	-	-	-	28,326,791
-	-	-	-	326,787,670
-	-	-	-	180,867,460
-	-	-	-	172,067,316
-	-	-	-	81,698,163
-	-	-	-	2,775,157
9,964,024	-	-	-	9,964,024
-	39,220,896	-	-	39,587,735
-	28,787,509	-	-	29,983,779
-	-	-	2,850,428	2,850,428
-	-	36,838,429	125,084,634	161,923,063
<u>23,387,331</u>	<u>68,008,405</u>	<u>36,838,429</u>	<u>127,935,062</u>	<u>1,099,079,463</u>
<u>502,005</u>	<u>(64,043,705)</u>	<u>(31,779,770)</u>	<u>(120,546,959)</u>	<u>(188,937,028)</u>
-	-	45,012,000	197,295,000	242,307,000
-	-	-	33,101,879	33,101,879
-	68,008,405	12,746,000	-	95,316,599
-	(3,964,700)	-	(7,408,563)	(95,316,599)
<u>-</u>	<u>64,043,705</u>	<u>57,758,000</u>	<u>222,988,316</u>	<u>275,408,879</u>
502,005	-	25,978,230	102,441,357	86,471,851
1,232,675	-	(30,253,254)	(9,884,886)	10,730,901
<u>\$ 1,734,680</u>	<u>\$ -</u>	<u>\$ (4,275,024)</u>	<u>\$ 92,556,471</u>	<u>\$ 97,202,752</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of activities (page 36) are different because:	86,471,851
Net change in fund balances -- total governmental funds (page 42)	
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.	(242,307,000)
Amortization recorded in the statement of activities that does not use current financial resources is not reported as an expenditure in the funds.	(301,876)
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.	40,254,402
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 \$533,190, TRS \$2,431,971].	2,965,161
The net increase in long-term debt for governmental funds is not recorded as an expenditure in the governmental funds. Such expenditures for changes in the liabilities for other postemployment benefits, pensions, claims payable and compensated absences are recorded in the statement of net position.	(21,801,273)
Capital projects expenditures for construction in progress are recorded in the funds as expenditures; such expenditures are not recorded in the statement of activities because they are considered capital assets.	138,441,564
Capital projects expenditures for capital assets and certain equipment and building improvements are recorded in the funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	956,437
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(39,125,971)
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.	18,787,998
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(24,695,257)
Increase in retainages recorded in the statement of activities and do not use current financial resources are not reported as an expenditure in the funds.	43,229
Decrease in proportionate share of net pension asset (liability) reported in the statement of net position do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds [ERS (\$8,380,210), TRS \$18,494,883].	10,114,673
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 (\$125,239,668), TRS \$120,716,646].	(4,523,022)
The net decrease for the food service long-term receivable is recorded in the statement of activities but not recorded as a revenue in the governmental funds.	(500,000)
Decrease in deferred OPEB outflow reported in the statement of net position for retiree costs between the measurement period and the end of the fiscal year.	(21,184,720)
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.	(31,219,721)
Changes in net position of governmental activities	<u>(87,623,525)</u>

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

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2019

	Agency Fund	Private Purpose Trust Fund
Assets		
Restricted Cash and Cash Equivalents	\$ 757,309	\$ 233,408
Due from Other Funds	10,499,027	41,356
Total Assets	<u>\$ 11,256,336</u>	<u>\$ 274,764</u>
Liabilities and Net Position		
Accrued Liabilities	\$ 8,515,729	\$ -
Due to Student Groups	150,189	-
Due to Retirement Systems	2,590,418	-
Total Liabilities	<u>11,256,336</u>	<u>-</u>
Net Position		
Held in Trust for Scholarships and Awards	-	274,764
Total Liabilities and Net Position	<u>\$ 11,256,336</u>	<u>\$ 274,764</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, 2019

	<u>Private Purpose Trust Fund</u>
Additions:	
Interest	\$ 591
Scholarships	1,130
Gifts and Donations	<u>2,095</u>
Total additions	3,816
Deductions:	
Scholarships	12,000
Gifts and Donations	<u>600</u>
Total deductions	<u>12,600</u>
Change in Net Position	(8,784)
Net Position - Beginning	<u>283,548</u>
Net Position - Ending	<u><u>\$ 274,764</u></u>

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

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 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, 2018 to June 30, 2019. 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 on pages 131 – 132 of this report.

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 THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 70 Carlson Road, Suite 200, Rochester, New York 14610.

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 and expenses from interfund activity has been netted 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 as a 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 THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 fund, which has no measurement focus, but does 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 postemployment 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 that 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, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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,

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

obligations of the U.S. Government and its agencies, and New York State and its municipalities.

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

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

In addition, income from investments associated with one fund may be assigned to other funds because of legal or contractual provisions. As such, investment income of \$3,964,700 for fiscal year 2018-19, 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 extracurricular 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. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts as a net balance based upon the right of legal offset. For more information on interfund transactions, refer to Note IV. D. of this report.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 \$641,445 in inventory at June 30, 2019. 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. The District defines capital assets as items 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. Any donated capital assets, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Only equipment, new construction, renovations or major additions to buildings are capitalized. All costs of maintenance and repairs are considered as not adding to the value of the asset or materially extending asset lives and are therefore not capitalized. Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

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

7. Prepaid Items

The District utilizes the consumption method to record prepaid expenditures. As of June 30, 2019, the General fund recorded prepaid expenditures in the amount of \$403,410 for self-insured health insurance administrative and stop loss fees, health insurance and travel reservations. Prepayments of \$55,005 were recorded in the Special Aid fund for travel reservations and for employee registrations in a Harvard Leadership program. Additionally, prepayments of \$76,639 recorded in the RJSCB fund was primarily for prepaid insurance. These prepayments will be recorded as expenditures during fiscal year 2019-20. Prepayments are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

8. 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 that time. The District has two 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

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

refunded or refunding debt. The other item is 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 period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category; the deferred inflow related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension inflows.

9. Unearned Revenue

The District received cash in advance of expenditures in the amount of \$23,867 in the General fund at June 30, 2019 for lease prepayments associated with the utilization of a parking lot. The District also received cash in advance of expenditures in the amount of \$1,999,585 for Special Aid fund projects during fiscal year 2018-19. These funds represent receipts for various grants that were not fully spent as of June 30, 2019. As the funds are spent during fiscal year 2019-20, revenue will be recorded.

10. 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.

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 liability of \$1,889,478 is recorded on the fund basis balance sheet for compensated absences incurred during fiscal 2018-19, but expected to be paid within 60 days of the end of the fiscal year, and a non-current liability of \$3,408,626 has been recorded on the Statement of Net Position for estimated vacation expense incurred during 2018-19, but expected to be paid after 60 days, but within one year of the end of the fiscal year.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

11. Postemployment Benefits

In addition to providing pension benefits, the District provides postemployment health insurance coverage to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. 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 additional information on postemployment health coverage, refer to Note V.C.

12. 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 and/or Rochester Joint Schools Construction Board (RJSCB) fund to be used to retire the respective debt. The bond issuance costs are recorded by the City, the reporting entity that issues debt for the District. Issue costs associated with the Facilities Modernization Program are recorded by the RJSCB.

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

13. 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. This would include prepayments and inventory in the School Food Service fund.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or legislation.

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Formal action via adopted Board Resolution initiated by the Board of Education is required to establish, modify or rescind fund commitments.

Assigned – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balances of the General fund are classified as assigned fund balance. Under the District's Fund Balance Policy No. 600, adopted on August 25, 2011, the Superintendent and the Chief Financial Officer of the District as the Superintendent's designee, were delegated the authority to assign amounts to a specific purpose during the 2018-19 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.

14. Encumbrances

The District maintains existing arrangements to enter into future transactions or events, such as long-term contractual obligations for goods and services expected to be honored upon performance or delivery by the vendor in the next year. As of June 30, 2019, the District has \$568,567 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

On August 7, 2019, the City of Rochester (City) issued a revenue anticipation note (RAN) in the amount of \$50 million which will mature on May 29, 2020 with interest payable at maturity. The RAN will be used to cover any cash deficits that arise primarily as a result of timing mismatches between State Aid receipts and expenditures during the course of the fiscal year borrowing period.

As part of the District's ongoing capital improvement program, the City issued \$37,850,000 in BANs on behalf of the District on August 7, 2019. The new BANs will be used to pay for construction improvements in association with the District's annual capital improvement program (CIP).

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

These financial statements have not been updated for subsequent events occurring after December 3, 2019 which is the date these financial statements were made available to be issued.

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 (\$1,551,531,568) difference are as follows:

Bonds payable	\$ (642,352,706)
Compensated absences	(3,408,626)
Other post-employment benefits	(856,702,592)
Due to other governments	(10,666,666)
Claims payable	(32,849,389)
Retainages payable	<u>(5,551,589)</u>
	<u>\$ (1,551,531,568)</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 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 \$40,254,402 difference are as follows:

Bond principal payments	\$ 39,220,896
Contractual obligation principal payments	<u>1,033,506</u>
	<u>\$ 40,254,402</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 (\$21,801,273) difference are as follows:

Claims payable	\$ (7,709,676)
Other post-employment benefits	(13,770,831)
Compensated absences	<u>(320,766)</u>
	<u>\$ (21,801,273)</u>

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgeting Policy

The budget of the District allocates resources to meet the District's commitment to educational excellence for all students. The budget period for fiscal year 2018-19 began on July 1, 2018 and ended on June 30, 2019. By City Charter, the Board of Education must submit a balanced budget to the Mayor and City Council for approval. The budget, which includes the General, Special Aid, Debt Service, and School Food Service funds, is prepared on a modified accrual, non-GAAP budget basis and is the only legally adopted annual budget of the District. The reason the budget is prepared on a non-GAAP budget basis is the inclusion of encumbrances as expenditures. Reconciliation of non-GAAP basis budget and actual financial figures is presented in the individual Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for General, Special Aid, and School Food Service Fund Types, non-GAAP Budget Basis.

The "basis of accounting" determines when a transaction or event is recognized in a fund's operating statement. The accounts used to record transactions associated with budget utilization 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 their 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 \$4,365,006 for the General Fund and (\$610,664) 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.

B. Deficit Fund Balance

At June 30, 2019, the Capital Projects Fund has a deficit fund balance of \$4,275,024. The deficit in the Capital Projects fund is the result of the issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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resources for the fund, the result is an overall deficit. This deficit will be eliminated as resources are obtained (e.g. from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

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 \$757,309 reported in the Agency fund restricted for extraclassroom activities and flexible spending withholdings, \$115,347,636 reported in the RJSCB fund primarily comprised of unexpended bond proceeds, \$769,291 in the Capital Projects fund comprised of unexpended BAN proceeds, \$12,748,547 reported in the General fund for funds held in trust for future debt payments, and \$233,408 reported in the Private Purpose Trust fund for scholarships and awards.

Investment and Deposit Policy – The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City on behalf of the District.

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

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

Custodial Credit Risk – 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.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Cash - At year-end, the District's cash was \$70,480,794. 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 \$107,860,073. 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, 2019, 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>
\$4,037,498	\$59,474	\$67,114	\$200,130	\$4,364,216

The General fund receivable primarily represents funds due to the District for facilities rental and related utility usage, as well as health plan and union release time reimbursements. The Special Aid fund receivable represents accrued revenues for locally funded grants. The School Food Service fund receivable represents amounts due the District for food rebates and Charter School meals served during fiscal 2018-19. The RJSCB fund receivable was for interest earnings.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 17,349,160	\$ -	\$ -	\$ 17,349,160
Construction in Progress	200,724,068	138,441,564	210,320,398	128,845,234
Total capital assets not being depreciated	218,073,228	138,441,564	210,320,398	146,194,394
Capital assets being depreciated:				
Buildings & Improvements	867,297,258	199,388,924	23,538,475	1,043,147,707
Equipment & Other	47,873,569	11,887,911	1,156,782	58,604,698
Total capital assets being depreciated	915,170,827	211,276,835	24,695,257	1,101,752,405
Less accumulated depreciation for:				
Buildings & Improvements	(360,935,684)	(34,755,847)	(17,662,631)	(378,028,900)
Equipment & Other	(35,912,390)	(4,370,124)	(1,125,367)	(39,157,147)
Total accumulated depreciation	(396,848,074)	(39,125,971)	(18,787,998)	(417,186,047)
Total capital assets being depreciated, net	518,322,753	172,150,864	5,907,259	684,566,358
District capital assets, net	<u>\$ 736,395,981</u>	<u>\$ 310,592,428</u>	<u>\$ 216,227,657</u>	<u>\$ 830,760,752</u>
Depreciation expense was charged to functions of the District in the statement of activities as follows:				
Instructional teaching regular school		\$ 34,276,425		
General support central services		4,443,621		
Pupil transportation		347,312		
Community services		58,613		
		<u>\$ 39,125,971</u>		

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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1. Significant Construction Commitments

The District, along with the RJSCB, capitalized \$139,398,002 of assets during fiscal year 2018-19. These disbursements were for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$140.0 million will be disbursed by the District and \$539.5 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 2018-19, the District had no material asset impairments or insurance recoveries.

3. Accounting and Financial Reporting for Intangible Assets

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

D. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

The interfund receivables and payables result primarily from using a consolidated cash account and processing reimbursements. These interfund receivables and payables are short-term and are typically repaid in less than one year. The following schedule summarizes interfund receivables and payables at June 30, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 22,097,558	\$ 30,581,946
Special Aid	1,672,499	19,498,593
School Food Service	602,957	107,140
Capital Projects	15,673,171	-
RJSCB	-	398,889
Private Purpose Trust	41,356	-
Agency	10,499,027	-
Total	<u>\$ 50,586,568</u>	<u>\$ 50,586,568</u>

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, 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 11,373,263	\$ 83,943,336
Special Aid	3,188,931	-
Debt Service	68,008,405	3,964,700
Capital Projects	12,746,000	-
RJSCB	-	7,408,563
Total	<u>\$ 95,316,599</u>	<u>\$ 95,316,599</u>

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

E. Due from Other Governments

As of year ended June 30, 2019, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

Fund	Local	State	Federal	Total
General	\$ 7,339,790	\$ 31,240,338	\$ 1,099,453	\$ 39,679,581
Special Aid	4,438,948	20,167,065	8,065,210	32,671,223
School Food Service	-	106,834	1,716,846	1,823,680
Total	\$ 11,778,738	\$ 51,514,237	\$ 10,881,509	\$ 74,174,484

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 2018-19 for operating leases was approximately \$73,000 and \$4.8 million, respectively, not including NYS lease aid.

The following is a schedule of the total future minimum rental commitments required under operating leases as of June 30, 2019:

Fiscal Year	Receipts	Payments
2019-20	\$ 2,676,751	\$ 30,000
2020-21	2,667,231	30,000
2021-22	2,673,368	30,000
2022-23	2,680,092	30,000
2023-24	1,763,357	30,000
	<u>\$ 12,460,799</u>	<u>\$ 150,000</u>

The District anticipates receiving approximately \$1.2 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 2018-19 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, 2019:

	Balance June 30, 2018	Issues	Redeemed	Balance June 30, 2019
BANs (District)	\$ 47,758,000	\$ 19,000,000	\$ 47,758,000	\$ 19,000,000

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, 2019:

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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	Balance June 30, 2018	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 3,087,860	\$ 6,810,160	\$ 6,489,394	\$ 3,408,626	\$ 3,408,626
Claims Payable -					
Workers' Compensation	25,139,713	4,057,250	5,047,574	24,149,389	5,823,872
TRS Incentive (Local)	-	8,700,000	-	8,700,000	1,740,000
Other Post Employment Benefits	842,931,761	40,741,763	26,970,932	856,702,592	-
Due to Other Governments -					
NYS Lottery Advance	11,333,333	-	666,667	10,666,666	666,666
NYS ERS Loan Payable	4,311,300	-	533,190	3,778,110	550,083
NYS TRS Loan Payable	10,247,861	-	2,431,971	7,815,890	2,516,630
ERS Pension Liability*	7,574,216	8,380,210	-	15,954,426	-
Installment Purchase Debt	366,839	-	366,839	-	-
General Obligation Bonds -					
District Serial Bonds	99,036,602	45,012,000	17,835,896	126,212,706	20,197,706
Premium	8,106,409	3,851,548	1,297,762	10,660,195	1,297,762
School Facilities Revenue Bonds-					
FMP Serial Bonds	340,230,000	197,295,000	21,385,000	516,140,000	31,230,000
Premium	47,864,476	33,101,879	5,618,816	75,347,539	5,618,816
Total Long Term Liabilities	<u>\$ 1,400,230,370</u>	<u>\$ 347,949,810</u>	<u>\$ 88,644,041</u>	<u>\$ 1,659,536,139</u>	<u>\$ 73,050,161</u>

* Additions to ERS pension liability is presented net of decreases

Compensated absences paid in fiscal year 2018-19 totaled approximately \$6.0 million, excluding payroll taxes. This amount is reflected in maturities/reductions along with any balance remaining from fiscal year 2017-18. The new issues/additions reflect the new long-term liability at June 30, 2019. 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, 2017	\$ 25,070,706
Additions 2017-18	5,777,532
Payments 2017-18	5,708,525
Estimated claims June 30, 2018	25,139,713
Additions 2018-19	4,057,250
Payments 2018-19	5,047,574
Estimated claims June 30, 2019	<u>\$ 24,149,389</u>

Also included in claims payable are amounts due to teachers who retired on or before June 30, 2019 under the District's early retirement incentive agreement. These individuals will receive an annual payment of \$10,000 for the next five years beginning in January 2020.

Due to Other Governments includes a lottery aid advance from the New York State Education Department (SED) and deferred ERS and TRS pension liabilities for loans, as well as the net pension plan liability.

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

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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.

During fiscal 2013-14, in an effort to manage steeply rising pension costs, the District elected to participate in the ERS and TRS Contribution Stabilization Programs (“pension smoothing programs”). These programs enabled the District to defer a portion of their required contributions for repayment in future years. Due to favorable plan rates in subsequent years, the District opted out of the ERS program in 2015-16 and the TRS program in 2016-17. As a result, a TRS loan for the amount deferred was incurred. This loan is repayable in five annual installments of \$2.7, including interest, which began in 2017-18. The amount of interest outstanding at June 30, 2019 was approximately \$0.6 million. Similarly, an ERS loan payable totaling \$3.8 million at June 30, 2019 is being repaid in ten annual installments of approximately \$0.7 million, including interest, which began in 2015-16. The amount of interest outstanding at June 30, 2019 was approximately \$0.5 million.

During 2010-11, the debt associated with Energy Performance upgrade projects was refinanced at an interest rate of 3.06%. A net savings of \$193,617 occurred as a result of the debt refinancing. Final payment of approximately \$0.4 million was made during fiscal 2018-19.

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 5.521%. School facility revenue bonds are bonds issued at 5% interest for the School Modernization Program (FMP) for which the District’s State Aid is pledged. The original amounts of these bonds outstanding at June 30, 2019 are as follows:

Series	Issue Amount	Maturity Date	2018-19 Rate	Series	Issue Amount	Maturity Date	2018-19 Rate
RCSD General Obligation Bonds				JSCB School Facility Revenue Bonds			
2008B	10,797,000	10/1/26	4.00	2012A	66,190,000	5/1/2022	5.00
2009C1	58,470,000	2/10/24	5.11	2012B	57,910,000	5/1/2028	5.00
2012 I	20,548,000	8/15/27	4.00	2013	103,055,000	5/1/1930	5.00
2012 II	5,655,000	8/15/19	2.00	2015	44,225,000	5/1/1931	5.00
2012 III	9,640,000	2/15/25	4.00	2017	123,670,000	5/1/1933	5.00
2012 IV	7,525,000	10/15/21	4.00	2018	197,295,000	5/1/1935	5.00
2012 V	14,965,000	2/15/22	4.00				
2013 II	27,015,000	2/1/29	5.00				
2015 I	18,880,000	8/1/30	5.00				
2016 I	17,271,400	10/15/24	4.00				
2018 II	45,012,000	8/1/33	4.00				

Pursuant to the City of Rochester Charter, the District’s debit limit is 3.5% or 9% of the five year valuation, or a debt limit of \$222,170,000 as of June 30, 2019. The District had \$25,795,000 of authorized but unissued debt as of June 30, 2019. The debt-contracting margin of the District as of June 30, 2019 was \$79,869,517.

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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 were paid semi-annually through February 2019. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, the final payment of which occurred during fiscal 2018-19.

The District paid no arbitrage to the Federal Government during 2018-19. 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, 2019:

Fiscal Year Ending June 30	District Principal	District Interest	JSCB Principal	JSCB Interest	Total
2020	\$ 20,198	\$ 4,883	\$ 31,230	\$ 25,330	\$ 81,641
2021	18,725	3,978	33,570	23,768	80,041
2022	14,690	3,180	35,175	22,090	75,135
2023	13,300	5,756	36,625	20,557	76,238
2024	11,565	1,066	38,035	19,151	69,817
2025-29	33,085	5,756	209,195	69,628	317,664
2030-34	14,650	1,066	131,375	18,334	165,425
2035-39	-	-	935	47	982
	<u>\$ 126,213</u>	<u>\$ 25,685</u>	<u>\$ 516,140</u>	<u>\$ 198,905</u>	<u>\$ 866,943</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 BANs outstanding at June 30, 2019 in the amount of \$19,000,000.

V. OTHER INFORMATION

A. Risk Financing

Third party insurance is maintained by the District on vehicles, boilers and machines, and stop loss for major medical benefits. In addition, 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

**ROCHESTER CITY SCHOOL DISTRICT
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Employee Benefits. A current liability of \$4,848,000 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2018-19.

Effective fiscal 2014-15, the District's student accident program is no longer self-insured. The District currently maintains a student accident insurance policy with a third-party insurance company.

The District uses the general fund to account for its current risk financing activities. 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 schedule below presents the calculation of the District's estimated claims at June 30, 2019 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 and the estimated claims for health insurance represent claims incurred during 2018-19 that are expected to be paid within the subsequent fiscal year.

	Workers' Compensation	Health Insurance
Estimated claims July 1, 2017	\$ 5,510,897	\$ 3,570,200
Claims incurred 2017-18	6,166,566	82,929,576
Payments and reductions 2017-18	5,668,525	81,469,776
Estimated claims June 30, 2018	<u>\$ 6,008,938</u>	<u>\$ 5,030,000</u>
Estimated claims July 1, 2018	\$ 6,008,938	\$ 5,030,000
Claims incurred 2018-19	4,862,508	92,104,442
Payments and reductions 2018-19	5,047,574	92,286,442
Estimated claims June 30, 2019	<u>\$ 5,823,872</u>	<u>\$ 4,848,000</u>

A current liability of \$5,823,872 and a non-current liability of \$18,325,517 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. This program is managed by a third party administrator. The District does not purchase stop loss insurance for this, so it is at full risk for all claim payments.

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 \$500,000.

**ROCHESTER CITY SCHOOL DISTRICT
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B. Pension Obligations

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

1. Provisions and Administration

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 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. Funding Policies

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, employees who joined on or after January 1, 2010 who contribute 3.0 to 3.5 percent of their salary and employees

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

who joined on or after April 1, 2012 who contribute 3.0 to 6.0 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 TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

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

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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	03/31/2019	6/30/2018
Net pension asset (liability)	\$ (15,954,426)	\$ 30,782,021
District's portion of the Plan's total net pension liability	0.225176%	1.702297%
Change in proportionate share since prior measurement date	-0.009505	0.085780

For the year ended June 30, 2019, the District recognized pension expenses of \$23,635,565, for TRS and \$11,792,327 for ERS, net of deferrals. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of		Deferred Inflows of	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 3,141,760	\$ 23,003,156	\$ 1,070,991	\$ 4,166,769
Changes of assumptions	4,010,291	107,603,360	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	4,094,787	34,170,389
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,222,205	3,582,346	541,739	5,561,003
District's contributions subsequent to the measurement date	2,500,633	30,530,120	-	-
Total	<u>\$ 12,874,889</u>	<u>\$ 164,718,982</u>	<u>\$ 5,707,517</u>	<u>\$ 43,898,161</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<u>Year Ended</u>	<u>ERS</u>	<u>Year Ended</u>	<u>TRS</u>
3/31/2020	\$ 4,352,398	6/30/2020	\$ 30,599,599
3/31/2021	(2,351,005)	6/30/2021	20,693,719
3/31/2022	294,400	6/30/2022	1,954,931
3/31/2023	2,370,946	6/30/2023	20,621,197
3/31/2024	-	6/30/2024	13,892,016
Thereafter	-	Thereafter	2,529,239

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. Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	03/31/19	06/30/18
Actuarial valuation date	04/01/18	06/30/17
Interest rate	7.0%	7.25%
Salary scale	4.2%	1.9% - 4.7%
Decrement tables	04/01/10 - 03/31/15 System's experience	07/01/09 - 06/30/14 System's experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. 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.

The long-term expected 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. Expected future real rates of return are weighted by each of the target asset allocation percentages, and then expected inflation is added. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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NOTES TO THE FINANCIAL STATEMENTS
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	Target Allocation		Long-Term Expected Real Rate of Return	
	ERS	TRS	ERS	TRS
Measurement Date			3/31/2019	6/30/2018
Asset Class:				
Domestic equities	36.0%	33.0%	4.6%	5.8%
International equities	14.0	16.0	6.4	7.3
Global equities		4.0		6.7
Real estate equities	10.0	11.0	5.6	4.9
Private equities	10.0	8.0	7.5	8.9
Private debt		1.0		1.3
Real estate debt		7.0		0.9
Short term		1.0		6.8
Domestic fixed income securities		16.0		2.8
Global fixed income securities		2.0		3.5
High-yield income securities		1.0		0.3
Absolute return strategies	2.0		3.8	
Opportunistic portfolio	3.0		5.7	
Real assets	3.0		5.3	
Bonds and mortgages	17.0		1.3	
Cash	1.0		(0.3)	
Inflation-indexed bonds	4.0		1.3	
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 7.25% for TRS. The projection of cash flows used to determine the discount rate assumed 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.

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 7.25% 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 6.25% for TRS) or one percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

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ERS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	\$ (69,755,296)	\$ (15,954,426)	\$ 29,242,121
TRS	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset/(liability)	\$ (211,477,513)	\$ 30,782,021	\$ 233,728,188

7. Pension Plan Fiduciary Net Position

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

	ERS	TRS
Measurement date	03/31/19	06/30/18
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	182,718,124	119,915,517
Employers' net pension asset/(liability)	\$ (7,085,305)	\$ 1,808,264
Ratio of plan net position to the employers' total pension liability	-96.27%	101.53%

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on ERS wages multiplied by the contribution rate, by tier. Accrued employer retirement contributions were \$2,500,633, and employee accrued retirement contributions were \$187,950 as of June 30, 2019. Because the District opted out of the ERS pension amortization program during 2014-15, it will repay prior year amortizations in ten equal, annual installments which began in December of 2015. As of June 30, 2019, the total outstanding balance for ERS amortization repayments was \$3,778,110.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by a contribution rate of 10.62%, as calculated by the TRS as of the actuarially required rate. Employer accrued retirement contributions were \$30,530,120 and employee accrued retirement contributions were \$2,402,469 as of June 30, 2019. Because the District opted out of the TRS pension amortization program during 2016-17, it will repay prior year amortizations in five equal, annual installments which began in the fall of 2017. As of June 30, 2019, the total outstanding balance for TRS amortization repayments was \$7,815,890.

9. Teacher's Retirement Incentive

On March 15, 2019, the District entered into an agreement with the Rochester Teachers' Association whereby eligible members will receive \$50,000 payable at the rate of \$10,000 annually for five consecutive years beginning no later than January 1, 2020 and ending no later

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

than January 31, 2024. As of June 30, 2019, a liability of \$8,700,000 was accrued on the government-wide financial statements for this purpose.

C. Postemployment Health Care Benefits

1. Plan Description

The Rochester City School District administers the Rochester City School District Retiree Medical, Prescription, and Dental Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

2. Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

3. Employees Covered By Benefit Terms

As of the May 2018 census, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3,255
Inactive employees entitled to but not yet receiving benefit payments	684
Active employees	5,903
Total	<u>9,842</u>

The District's total OPEB liability of \$856,702,592 was measured as of July 1, 2017 and was determined by an actuarial valuation as of June 30, 2019

4. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Retirees' Share of Benefit-Related Costs	Range of 0% - 15% of health insurance premium cost
Salary Increases	3.0% average, including inflation
Discount Rate	3.50%
Healthcare Cost Trend Rates	8.0% for 2019, with a reduction of 0.5% per year and an ultimate rate of 5.0% in 2025 and years thereafter.

The discount rate was based on the prescribed discount interest rate methodology under GASB 75 based on an average of three 20-year bond indices.

**ROCHESTER CITY SCHOOL DISTRICT
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The mortality table used for the current valuation was the RP 2014 Healthy Male and Female Tables based on the Combined Healthy Table for both pre and post-retirement with mortality improvement based on Scale AA projected to the valuation date, plus an additional ten-year mortality improvement projection consistent with current industry trends in the market.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

5. Changes in the Total OPEB Liability

Balance at July 1, 2018	\$ 842,931,761
Changes for the year:	
Service Cost	11,711,143
Interest	29,030,620
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(26,970,932)</u>
Net changes	<u>13,770,831</u>
Balance at June 30, 2019	<u><u>\$ 856,702,592</u></u>

6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.5%) or one percentage point higher (4.5%) than the current discount rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 1,045,491,433	\$ 856,702,592	\$ 718,006,433

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

7. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates		
	1% Decrease 7% Decreasing to 4%	8% Decreasing to 5%	1% Increase 9% Decreasing to 6%
Total OPEB Liability	\$ 698,799,731	\$ 856,702,592	\$ 1,070,243,691

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$40,741,763. At June 30, 2019, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB, as there were no changes in actuarial assumptions.

9. 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 2018-19, MRA claims totaling \$22,241 were paid by the District and at June 30, 2019, there were thirty-three 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 oversees the Facilities Modernization Program (FMP). The FMP will be executed in three phases. Phase I is near completion, with the exception of Monroe High School which crossed over into Phase II. Phase I is expected to total \$325.0 million in school renovation expenditures in up to thirteen bonded projects. Authorizing legislation for Phase II was approved in December 2014 for a total cost not to exceed \$435.0 million in four sub-phases (Phase IIA to Phase IID) for the renovation of thirteen school buildings and one district-wide technology project. Construction began in June 2017. By September 2019, six projects were substantially completed and those schools were re-opened. Anticipated final completion of all Phase II projects is in the year 2022. Legislation authorizing Phase III was introduced but not enacted in the 2019 legislative session. The bill will be re-introduced in January/February 2020. It would authorize up to 15 building projects plus a district-wide technology project at a cost of \$615.0 million.

Financing of RJSCB Phase II

To date, \$321.0 million in bonds have been issued for a total proceeds amount including premium of \$379.5 million. It is anticipated that a final borrowing will be issued in January/February 2020 to cover the final Phase II costs with proceeds of about \$55.0 million.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 \$1,450,000 relative to sixteen separate cases that were pending as of June 30, 2019.

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, 2019, the District has reserved and encumbered approximately \$41,725 in asbestos abatement and air monitoring related contracts for active renovation projects. The District has evaluated and determined that there are no other specific pollution related obligations as of June 30, 2019. As a precaution, as of June 30, 2019 the District has set aside an additional \$27,538 in funds which could be used for other pollution remediation obligations should the need arise. The District has also recorded a total of \$18,242,601 in construction commitments for projects not yet completed.

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 that 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 \$2.7 million for the year ended June 30, 2019 and included the Baden Street Settlement, Nazareth College, and the University of Rochester. At June 30, 2019, the District had approximately \$0.3 million in outstanding accounts payable with Board affiliated organizations.

G. Calculation of Net Investment in Capital Assets

Capital assets		\$ 1,247,946,799
Add: Deferred charges on refunding bonds	\$ 1,098,952	
Less: Depreciation	(417,186,047)	
Related outstanding debt	<u>(636,591,608)</u>	
Net investment in capital assets		<u>(1,052,678,703)</u>
		<u>\$ 195,268,096</u>

The related outstanding debt comprises the following:

Bonds payable	\$ 642,352,706
BANs payable	19,000,000
Unamortized premiums	<u>86,007,734</u>
	747,360,440
Less: Unspent proceeds	<u>(110,768,832)</u>
	<u>\$ 636,591,608</u>

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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**

ERS

Fiscal Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency	District's Covered Payroll	Contributions as a Percentage of Employee Payroll
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
2016-17	10,509,790	10,509,790	-	71,275,520	14.7
2017-18	10,164,926	10,164,926	-	74,549,710	13.6
2018-19	10,440,218	10,440,218	-	78,218,777	13.3

TRS

Fiscal Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Employee Payroll
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
2016-17	30,022,528	30,022,528	-	258,258,210	11.6
2017-18	27,173,940	27,173,940	-	278,944,724	9.7
2018-19	30,530,120	30,530,120	-	289,068,585	10.6

The note to the Required Supplementary Information is an integral part of this schedule.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF RETIREMENT SYSTEM PENSION PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	ERS				
	2014-15	2015-16	2016-17	2017-18	2018-19
District's proportion of the net pension asset (liability)	0.237995%	0.233961%	0.227483%	0.2346815%	0.2251763%
District's proportionate share of the net pension asset (liability)	\$ (8,040,052)	\$ (37,551,307)	\$ (21,374,772)	\$ (7,574,216)	\$ (15,954,426)
District's covered payroll	\$ 67,496,597	\$ 68,559,466	\$ 73,490,258	\$ 73,552,764	\$ 77,313,327
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	11.9%	52.7%	-29.1%	-10.3%	-20.6%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	90.7%	94.7%	98.2%	96.3%
	TRS				
	2014-15	2015-16	2016-17	2017-18	2018-19
District's proportion of the net pension asset (liability)	1.729107%	1.663625%	1.651834%	1.616517%	1.702297%
District's proportionate share of the net pension asset (liability)	\$ 192,611,736	\$ 172,797,638	\$ (17,691,830)	\$ 12,287,138	\$ (30,782,021)
District's covered payroll	\$ 248,109,334	\$ 253,838,859	\$ 259,214,370	\$ 258,258,210	\$ 278,944,724
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	77.6%	68.1%	-6.8%	4.8%	-11.0%
Plan fiduciary net position as a percentage of the total pension asset	111.5%	110.5%	99.0%	100.7%	101.5%

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

The note to the Required Supplementary Information is an integral part of this schedule.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB RELATED LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2017-18	2018-19
Measurement date	06/30/18	06/30/19
Service cost	\$ 11,370,042	\$ 11,711,143
Interest	28,584,477	29,030,620
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	(27,444,204)	(26,970,932)
Net change in total OPEB liability	12,510,315	13,770,831
Total OPEB liability - beginning	830,421,446	842,931,761
Total OPEB liability - ending	<u>\$ 842,931,761</u>	<u>\$ 856,702,592</u>
Covered payroll	\$ 328,621,551	\$ 322,848,701
Total OPEB liability as a percentage of covered payroll	256.51%	265.36%

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

The note to the Required Supplementary Information is an integral part of this schedule.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
REVENUES				
Local Sources:				
Use of Money and Property	\$ 350,000	\$ 437,700	\$ 437,700	\$ -
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	8,732,480	13,456,067	13,456,067	-
State Sources	622,465,596	618,408,416	618,408,416	-
Federal Sources	2,100,000	5,174,789	5,174,789	-
Total Revenues	752,748,076	756,576,972	756,576,972	-
EXPENDITURES				
Current:				
General Support:				
Staff	5,772,161	7,294,941	7,287,273	7,668
Central Services	43,491,337	42,173,018	42,151,000	22,018
Other	8,997,799	9,187,678	9,165,912	21,766
Instructional				
Teaching -- Regular School	218,704,379	203,290,359	231,535,131	(28,244,772)
Special Apportionment Programs	118,349,474	120,864,494	120,850,492	14,002
Other	92,333,340	80,012,322	79,757,063	255,259
Pupil Transportation	74,736,592	76,603,688	76,517,831	85,857
Community Services	779,821	558,843	567,156	(8,313)
Employee Benefits				
Retirement	33,399,403	38,018,811	38,001,332	17,479
Social Security	22,957,752	24,276,356	24,141,822	134,534
Health Insurance	69,914,029	85,786,171	85,771,729	14,442
Workers' Compensation	3,824,760	5,074,487	5,074,010	477
Other	4,535,717	4,299,243	4,194,146	105,097
Debt Service	4,312,402	1,566,401	1,563,109	3,292
Total Expenditures	702,108,966	699,006,812	726,578,006	(27,571,194)
Excess (Deficiency) of Revenues Over Expenditures	50,639,110	57,570,160	29,998,966	(27,571,194)
OTHER FINANCING SOURCES (USES)				
Transfers In	5,837,153	11,373,263	11,373,263	-
Transfers Out	(76,476,263)	(83,943,423)	(83,943,336)	87
Total Other Financing Sources (Uses)	(70,639,110)	(72,570,160)	(72,570,073)	87
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	\$ (20,000,000)	\$ (15,000,000)	(42,571,107)	\$ (27,571,107)
Encumbrances Included in Actual			568,567	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			(42,002,540)	
Expenditure of Prior Years' Encumbrances			(447,201)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			(42,449,741)	
Fund Balance -- Beginning of Year			49,636,366	
Fund Balance -- End of Year			\$ 7,186,625	

The note to the Required Supplementary Information is an integral part of this schedule.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SPECIAL AID FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Special Aid Fund		
		Original Budget	Final Budget	Variance With Final Budget
REVENUES				
Local Sources	\$ 6,138,871	\$ 7,429,595	\$ 3,932,025	\$ (3,497,570)
State Sources	62,525,233	59,033,346	61,678,003	2,644,657
Federal Sources	44,196,246	53,980,292	47,654,637	(6,325,655)
Total Revenues	112,860,350	120,443,233	113,264,665	(7,178,568)
EXPENDITURES				
Current:				
General Support				
Central Services	113,287	711,053	658,099	52,954
Other	2,656,786	2,222,087	539,138	1,682,949
Instructional				
Teaching -- Regular School	47,658,788	50,762,387	49,735,873	1,026,514
Special Apportionment Programs	21,506,869	24,740,419	22,086,135	2,654,284
Other	17,537,556	20,576,998	20,575,376	1,622
Pupil Transportation	1,338,079	2,228,424	2,160,941	67,483
Community Services	1,348,596	2,556,533	1,691,582	864,951
Employee Benefits				
Retirement	5,509,929	5,585,701	5,204,464	381,237
Social Security	3,533,677	3,652,641	3,644,535	8,106
Health Insurance	10,456,778	9,377,356	8,998,858	378,498
Workers' Compensation	730,204	836,092	786,766	49,326
Other	469,801	382,473	371,829	10,644
Total Expenditures	112,860,350	123,632,164	116,453,596	7,178,568
Excess (Deficiency) of Revenues Over Expenditures	-	(3,188,931)	(3,188,931)	-
OTHER FINANCING SOURCES				
Transfers In	-	3,188,931	3,188,931	-
Transfers Out	-	-	-	-
Total Other Financing Sources	-	3,188,931	3,188,931	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	-	\$ -
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

The note to the Required Supplementary Information is an integral part of this schedule.

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE 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, 2019

	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	\$ 200,000	\$ 879,454	\$ 879,454	\$ -
State Sources	600,000	525,013	525,013	-
Federal Sources	23,700,000	22,484,869	22,484,869	-
Total Revenues	24,500,000	23,889,336	23,889,336	-
EXPENDITURES				
General Support				
Other	20,501,160	19,982,737	19,517,704	465,033
Employee Benefits				
Retirement	1,068,000	1,068,000	1,046,391	21,609
Social Security	557,400	591,085	591,083	2
Health Insurance	2,173,440	2,047,514	2,041,964	5,550
Workers' Compensation	131,000	131,000	126,372	4,628
Other	69,000	69,000	63,817	5,183
Total Expenditures	24,500,000	23,889,336	23,387,331	502,005
Excess (Deficiency) of Revenues Over Expenditures	-	-	502,005	502,005
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Appropriation of Prior Year Fund Balance	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	502,005	\$ 502,005
Fund Balance -- Beginning of Year			1,232,675	
Fund Balance -- End of Year			\$ 1,734,680	

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Factors Affecting Trends In Postemployment Benefits and Pensions

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 under GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis.

The assumptions and census information are consistent with the prior year's valuation. Because the discount rate remained unchanged, there are no actuarial gains or losses. The assumptions and census information will change with the subsequent year's valuation.

The District's proportionate share of the net pension asset/(liability) of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement systems invest in. In addition, the discount factor has varied from 7.5% to 7.0% over the past five years.

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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, 2019
(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	\$ 350,000	\$ 437,700	\$ 437,700	\$ -
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	2,878,666	2,474,936	2,474,936	-
Miscellaneous	5,853,814	10,981,131	10,981,131	-
State Sources	622,465,596	618,408,416	618,408,416	-
Federal Sources	2,100,000	5,174,789	5,174,789	-
Total Revenues	<u>752,748,076</u>	<u>756,576,972</u>	<u>756,576,972</u>	<u>-</u>
Other Sources				
Transfers in	<u>5,837,153</u>	<u>11,373,263</u>	<u>11,373,263</u>	<u>-</u>
Total Other Sources	<u>5,837,153</u>	<u>11,373,263</u>	<u>11,373,263</u>	<u>-</u>
 Total Revenues and Other Sources	 <u>\$ 758,585,229</u>	 <u>\$ 767,950,235</u>	 <u>\$ 767,950,235</u>	 <u>\$ -</u>

(continued next page)

Expenditures	Original Budget	Final Budget
General Support:		
Staff	\$ 5,772,161	\$ 7,294,941
Central Services	43,491,337	42,173,018
Board of Education	595,449	936,059
Central Administration	793,115	624,107
Finance	5,253,235	4,790,596
Other	2,356,000	2,836,916
Instructional		
Teaching - Regular School	218,704,379	203,290,359
Programs for Children with Handicapping Condit	118,349,474	115,362,036
Occupational Education	6,910,648	5,502,458
Instruction, Administration and Improvement	45,926,775	46,631,078
Teaching - Special Schools	1,683,661	2,016,915
Instructional Media	5,948,272	5,998,310
Pupil Services	31,863,984	25,366,019
Pupil Transportation	74,736,592	76,594,688
Community Services	779,821	567,843
Employee Benefits:		
Retirement	33,399,403	38,018,811
Social Security	22,957,752	24,276,356
Health Insurance	69,914,029	85,786,171
Workers' Compensation	3,824,760	5,074,487
Other	4,535,717	4,299,243
Debt Service		
Principal	3,936,636	3,936,635
Interest	375,766	375,766
Total Expenditures	702,108,966	701,752,812
Other Uses		
Transfers Out	76,476,263	81,197,423
Total Expenditures and Other Uses	778,585,229	782,950,235
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ (20,000,000)	\$ (15,000,000)

<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 7,287,273	\$ -	\$ 7,668
42,139,675	11,325	22,018
935,175	-	884
623,812	105	190
4,782,186	-	8,410
2,824,634	-	12,282
231,318,507	216,626	(28,244,774)
115,359,847	-	2,189
5,490,646	-	11,812
46,537,816	-	93,262
2,016,640	-	275
5,755,887	242,150	273
25,118,108	86,461	161,450
76,517,831	-	76,857
555,255	11,900	688
38,001,332	-	17,479
24,141,821	-	134,535
85,771,729	-	14,442
5,074,009	-	478
4,194,146	-	105,097
3,112,839	-	3,292
1,196,270	-	-
<u>728,755,438</u>	<u>568,567</u>	<u>(27,571,193)</u>
81,197,336	-	87
<u>809,952,774</u>	<u>\$ 568,567</u>	<u>\$ (27,571,106)</u>
<u>\$ (42,002,539)</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, 2019

	Debt Service Fund			
	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ -	\$ 3,964,700	\$ 3,964,700	\$ -
Total Revenues	-	3,964,700	3,964,700	-
EXPENDITURES				
Debt Service	68,008,405	68,008,405	68,008,405	-
Total Expenditures	68,008,405	68,008,405	68,008,405	-
Deficiency of Revenues Over Expenditures	(68,008,405)	(64,043,705)	(64,043,705)	-
OTHER FINANCING SOURCES (USES)				
Sources:				
Transfers In	68,008,405	68,008,405	68,008,405	-
Uses:				
Transfers Out	-	(3,964,700)	(3,964,700)	-
Total Other Financing Sources (Uses)	68,008,405	64,043,705	64,043,705	-
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, 2019**

Ordinance Number	Project Title	Appropriated & Issued	Expenditures to Date		Unexpended Balance
			Prior Years	Current Year	
17-061	Facility Capital Improvements	\$ 15,625,000	\$ 8,764,820	\$ 6,090,889	\$ 769,291
17-381	Facility Capital Improvements	13,375,000	-	13,375,000	-
	Smart Schools Bond Act	23,648,762	17,727,549	6,341,779	(420,566)
	Accrued Capital Improvements	-	3,563,536	(146,119)	(3,417,417)
	Cash - Capital Improvements	28,970,547	-	11,176,880	17,793,667
	Totals	\$ 81,619,309	\$ 30,055,905	\$ 36,838,429	\$ 14,724,975

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Statistical



STATISTICAL SECTION

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

- ◆ Financial Trends (Page 92-98) – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 99-102) – These schedules contain information to help the reader assess the District's most significant local revenue sources.
- ◆ Debt Capacity (Page 103-107) – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.
- ◆ Demographic and Economic Information (Page 108-109) – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.
- ◆ Operating Information (Page 110-114) – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities					
Net investment in capital assets	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564	\$ 231,321,889	\$ 226,882,367
Restricted for Capital Expenditures	-	-	-	-	47,508,944
Restricted for Debt Service	-	-	-	4,735,764	655,408
Restricted for Revolving Loan Program	-	-	-	-	-
Unrestricted (Deficit)	<u>(78,288,628)</u>	<u>(133,132,558)</u>	<u>(142,832,981)</u>	<u>(175,570,496)</u>	<u>(229,176,646)</u>
Total governmental activities net position	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities					
Net investment in capital assets	\$ 220,389,578	\$ 218,698,255	\$ 223,450,428	\$ 265,896,655	\$ 195,268,096
Restricted for Capital Expenditures	60,270,989	13,069,585	-	-	92,231,024
Restricted for Debt Service	320,406	8,162,364	5,573,029	8,416,554	15,699,855
Restricted for Revolving Loan Program	-	-	100,024	100,000	100,000
Unrestricted (Deficit)	<u>(192,505,073)</u>	<u>(134,530,235)</u>	<u>(150,528,156)</u>	<u>(770,515,499)</u>	<u>(887,024,790)</u>
Total governmental activities net position	<u>\$ 88,475,900</u>	<u>\$ 105,399,969</u>	<u>\$ 78,595,325</u>	<u>\$ (496,102,290)</u>	<u>\$ (583,725,815)</u>

Note: Restrictions not reported for fiscal 2011-12 and prior
2017 Restated for GASB 75 implementation for change in accounting principal

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

(continued next page)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Expenses				
General Support:				
Board of Education	\$ 700,462	\$ 845,542	\$ 937,364	\$ 804,532
Chief School Administrator	2,625,789	2,935,381	823,745	1,018,962
Finance	6,060,425	6,446,125	5,624,636	5,957,755
Staff	7,030,907	7,813,587	6,337,641	6,016,143
Central Services	75,301,682	74,794,471	71,636,605	74,430,768
Other	9,593,834	5,533,657	6,461,292	8,665,885
Total General Support	<u>101,313,099</u>	<u>98,368,763</u>	<u>91,821,283</u>	<u>96,894,045</u>
Instruction:				
Administration and Improvement	76,364,476	76,115,320	66,516,877	73,712,391
Teaching	422,444,062	444,285,066	422,176,283	434,230,713
Instructional Media	11,110,860	12,127,840	9,361,416	9,222,737
Pupil Services	32,250,202	32,369,551	36,379,149	36,650,565
Other	-	-	-	-
Total Instruction	<u>542,169,600</u>	<u>564,897,777</u>	<u>534,433,725</u>	<u>553,816,406</u>
Pupil Transportation	55,139,810	60,056,572	59,602,833	65,325,728
Community Services	6,965,346	7,143,070	3,642,674	2,604,672
Interest on Long-Term Debt	7,729,302	8,283,576	7,502,523	12,532,896
Depreciation-Unallocated	-	-	-	-
Total Expenses	<u>713,317,157</u>	<u>738,749,758</u>	<u>697,003,038</u>	<u>731,173,747</u>
Program Revenues				
Charges for Services:				
Central Services	1,032,158	784,618	954,589	771,124
Teaching	1,636,777	1,279,395	1,539,574	1,408,777
Operating Grants and Contributions	101,612,225	107,490,316	103,192,159	101,980,675
Total Program Revenues	<u>104,281,160</u>	<u>109,554,329</u>	<u>105,686,322</u>	<u>104,160,576</u>
Net (Expense)/Revenue	<u>(609,035,997)</u>	<u>(629,195,429)</u>	<u>(591,316,716)</u>	<u>(627,013,171)</u>
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	4,768,568	560,906	635,161	283,477
State & Federal Aid	408,172,635	381,842,297	396,973,771	413,568,396
Lottery Aid	56,900,547	63,411,761	59,355,281	63,012,095
Miscellaneous	8,125,304	7,206,095	6,764,569	8,288,777
Total General Revenues and Other Changes in Net Position	<u>597,067,054</u>	<u>572,121,059</u>	<u>582,828,782</u>	<u>604,252,745</u>
Change in Net Position	<u>\$ (11,968,943)</u>	<u>\$ (57,074,370)</u>	<u>\$ (8,487,934)</u>	<u>\$ (22,760,426)</u>

2014	2015	2016	2017	2018	2019
\$ 968,455	\$ 811,972	\$ 1,184,391	\$ 826,611	\$ 774,805	\$ 1,267,641
1,183,391	947,164	2,509,063	1,254,537	998,319	917,981
7,449,533	6,165,866	7,418,291	7,166,275	6,916,873	7,239,192
6,959,452	5,948,881	7,755,959	8,664,357	8,850,997	9,925,017
81,900,706	77,142,220	82,909,676	84,582,223	78,707,382	87,854,145
8,255,958	4,951,793	4,814,857	5,578,543	8,450,919	9,106,906
106,717,495	95,967,896	106,592,237	108,072,546	104,699,295	116,310,882
70,286,652	74,179,100	67,388,814	74,173,631	74,114,750	78,990,929
416,521,090	462,945,545	477,002,393	534,213,686	554,886,851	625,792,535
8,688,549	9,922,632	9,349,425	10,075,991	9,907,240	10,110,572
36,102,054	40,050,199	40,769,018	46,122,793	46,822,107	46,309,779
-	-	-	-	-	-
531,598,345	587,097,476	594,509,650	664,586,101	685,730,948	761,203,815
68,990,845	70,433,794	77,363,591	80,517,980	80,333,612	86,833,529
3,036,392	3,419,962	3,124,667	2,496,464	2,856,383	2,917,748
17,598,994	17,931,983	18,814,372	18,286,259	22,575,674	31,166,652
-	-	-	-	-	-
727,942,071	774,851,111	800,404,517	873,959,350	896,195,912	998,432,626
108,583	135,478	276,366	302,180	365,684	879,454
1,605,929	1,593,999	1,962,993	2,237,536	2,265,157	2,474,936
107,816,885	109,228,469	113,987,817	118,232,454	122,652,688	113,264,664
109,531,397	110,957,946	116,227,176	120,772,170	125,283,529	116,619,054
(618,410,674)	(663,893,165)	(684,177,341)	(753,187,180)	(770,912,383)	(881,813,572)
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
259,181	682,214	753,878	969,347	1,893,078	7,447,701
454,984,197	462,719,362	497,713,112	527,620,451	571,846,027	586,763,799
66,698,736	69,627,693	68,357,659	70,014,974	70,618,330	68,261,177
6,395,864	10,725,335	15,176,761	8,677,764	6,899,669	12,617,370
647,437,978	662,854,604	701,101,410	726,382,536	770,357,104	794,190,047
\$ 29,027,304	\$ (1,038,561)	\$ 16,924,069	\$ (26,804,644)	\$ (555,279)	\$ (87,623,525)

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

(continued next page)

	2010	2011	2012	2013
General Fund				
Nonspendable	\$ 39,546	\$ 4,405,058	\$ 6,589,163	\$ 5,408,822
Restricted	-	-	-	4,735,764
Committed	-	-	32,588,485	32,588,485
Assigned	58,297,595	40,728,264	21,995,142	21,357,946
Unassigned	19,064,883	26,557,687	19,188,648	19,342,801
Total General Fund	<u>\$ 77,402,024</u>	<u>\$ 71,691,009</u>	<u>\$ 80,361,438</u>	<u>\$ 83,433,818</u>
All Other Governmental Funds				
Nonspendable	\$ 458,729	\$ 99,138	\$ 311,363	\$ 328,690
Restricted	-	-	-	-
Committed	1,436,907	871,767	118,409,508	180,847,158
Assigned	-	-	-	-
Unassigned, Reported In:				
Capital Projects Fund	9,502,422	(258,865)	(9,227,636)	-
RJSCB Fund	-	-	-	-
Miscellaneous Special Revenue	-	(2,683,335)	-	-
Total All Other Governmental Funds	<u>\$ 11,398,058</u>	<u>\$ (1,971,295)</u>	<u>\$ 109,493,235</u>	<u>\$ 181,175,848</u>
Total All Governmental Funds	<u>\$ 88,800,082</u>	<u>\$ 69,719,714</u>	<u>\$ 189,854,673</u>	<u>\$ 264,609,666</u>

2014	2015	2016	2017	2018	2019
\$ 9,015,204	\$ 9,658,416	\$ 360,810	\$ 1,139,063	\$ 396,992	\$ 403,410
655,408	320,406	8,162,364	5,573,029	8,416,554	15,699,855
32,588,485	26,452,769	27,694,297	26,889,758	7,500,000	-
20,309,554	19,760,663	25,677,162	23,594,548	26,956,931	-
14,571,175	10,406,729	8,935,385	8,621,907	6,365,889	(8,916,640)
<u>\$ 77,139,826</u>	<u>\$ 66,598,983</u>	<u>\$ 70,830,018</u>	<u>\$ 65,818,305</u>	<u>\$ 49,636,366</u>	<u>\$ 7,186,625</u>
\$ 324,307	\$ 424,100	\$ 612,612	\$ 698,236	\$ 614,113	\$ 718,084
47,508,944	60,270,989	13,069,585	100,024	100,000	92,331,024
1,126,667	2,194,903	547,112	829,246	149,453	148,808
-	-	-	150,000	789,084	1,093,235
10,584,466	(5,664,911)	(1,938,251)	(19,204,786)	(30,253,254)	(4,275,024)
-	37,848	-	(27,896,351)	(10,304,861)	-
-	-	-	-	-	-
<u>\$ 59,544,384</u>	<u>\$ 57,262,929</u>	<u>\$ 12,291,058</u>	<u>\$ (45,323,631)</u>	<u>\$ (38,905,465)</u>	<u>\$ 90,016,127</u>
<u>\$ 136,684,210</u>	<u>\$ 123,861,912</u>	<u>\$ 83,121,076</u>	<u>\$ 20,494,674</u>	<u>\$ 10,730,901</u>	<u>\$ 97,202,752</u>

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

(continued next page)

	2010	2011	2012	2013
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 4,768,568	\$ 560,907	\$ 635,161	\$ 283,477
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	15,986,384	10,777,116	12,165,277	10,880,816
State Sources	455,650,093	445,210,158	465,764,197	485,713,741
Federal Sources	107,728,741	104,692,597	89,528,198	91,398,802
Surplus Food	929,925	932,137	1,018,851	942,062
Sales	576,984	402,473	303,420	94,423
Total Revenues	<u>704,740,695</u>	<u>681,675,388</u>	<u>688,515,104</u>	<u>708,413,321</u>
Expenditures				
General Support:				
Staff	6,762,646	7,179,406	6,260,911	5,906,382
Central Services	49,382,721	47,243,300	46,538,877	48,276,855
Other	27,687,396	24,116,618	23,116,314	26,068,647
Instructional:				
Teaching - Regular School	225,292,202	236,502,568	235,738,366	244,680,729
Special Apportionment Programs	142,065,048	136,643,687	135,977,745	139,182,252
Other	134,904,890	131,741,908	129,632,899	136,515,099
Pupil Transportation	52,287,872	54,614,418	58,064,582	63,362,758
Community Services	6,773,889	6,844,001	3,479,242	2,446,372
Cost of Sales	7,211,720	7,454,503	7,930,286	8,861,406
Debt Service:				
Principal	13,578,018	18,385,022	18,127,741	33,554,888
Interest	6,790,890	8,984,972	7,190,572	13,921,980
Bond Issuance Costs	-	-	-	2,091,497
Capital Outlay	26,791,121	22,679,746	31,277,855	102,472,252
Total Expenditures	<u>699,528,413</u>	<u>702,390,149</u>	<u>703,335,390</u>	<u>827,341,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,212,282	(20,714,761)	(14,820,286)	(118,927,796)
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	738,164
Refunding Bonds	-	-	-	37,785,000
Premium - Refunding Bonds	-	-	-	3,309,791
Premium - BAN and Bond Issuance	-	-	-	20,780,819
Payment to Escrow Agent	-	-	-	(22,730,000)
Long-term Debt	61,490,498	1,634,393	134,955,245	153,799,015
Transfers In	58,286,742	33,153,924	37,096,372	46,564,991
Transfers Out	(58,286,742)	(33,153,924)	(37,096,372)	(46,564,991)
Total Other Financing Sources (Uses)	<u>61,490,498</u>	<u>1,634,393</u>	<u>134,955,245</u>	<u>193,682,789</u>
Net Change in Fund Balances	<u>\$ 66,702,780</u>	<u>\$ (19,080,368)</u>	<u>\$ 120,134,959</u>	<u>\$ 74,754,993</u>
Debt Service as a Percentage of Noncapital Expenditures	3.03%	4.03%	3.77%	6.55%

2014	2015	2016	2017	2018	2019
\$ 259,181	\$ 682,214	\$ 3,001,530	\$ 969,347	\$ 1,893,078	\$ 7,447,701
119,100,000	119,101,443	119,142,222	119,957,026	119,127,776	119,100,000
11,635,498	13,360,146	15,710,271	12,987,995	12,886,954	19,785,919
530,317,736	550,167,576	592,465,795	636,475,355	681,545,444	688,376,654
94,495,300	86,754,441	82,818,077	74,434,777	78,298,546	73,905,397
1,078,482	1,128,449	1,415,119	1,536,902	1,095,171	1,408,898
83,178	83,509	132,022	126,639	126,997	117,866
756,969,375	771,277,778	814,685,036	846,488,041	894,973,966	910,142,435
5,945,247	6,074,754	7,472,227	8,066,322	9,137,095	9,320,672
50,247,733	49,268,550	50,836,398	49,530,175	51,067,583	52,927,205
27,484,179	24,917,805	26,080,581	26,837,116	28,764,006	28,326,791
254,351,913	260,566,367	273,448,551	286,448,066	308,072,512	326,787,670
143,521,920	146,005,189	150,269,672	156,256,759	160,070,812	180,867,460
146,998,875	162,786,514	159,549,959	168,260,414	172,478,037	172,067,316
66,443,629	68,165,552	73,763,974	76,580,595	81,216,295	81,698,163
2,882,036	3,293,117	3,015,541	2,388,263	2,762,393	2,775,157
7,994,917	8,521,647	11,651,513	10,122,887	10,016,753	9,964,024
22,556,679	30,410,967	33,662,091	40,565,877	37,650,976	39,587,735
17,332,137	17,630,531	18,905,423	18,437,402	21,473,074	29,983,779
-	-	-	109,618	2,073,684	2,850,428
139,640,040	59,866,645	66,769,942	69,871,162	170,925,182	161,923,063
885,399,305	837,507,638	875,425,872	913,474,656	1,055,708,402	1,099,079,463
(128,429,930)	(66,229,860)	(60,740,836)	(66,986,615)	(160,734,436)	(188,937,028)
504,474	53,407,562	20,000,000	435,000	123,670,000	242,307,000
-	-	-	17,271,400	-	-
-	-	-	2,049,053	-	-
-	-	-	269,760	24,375,663	33,101,879
-	-	-	(15,665,000)	-	-
-	-	-	-	-	-
54,001,937	59,105,658	59,889,534	63,298,269	75,871,517	95,316,599
(54,001,937)	(59,105,658)	(59,889,534)	(63,298,269)	(72,946,517)	(95,316,599)
504,474	53,407,562	20,000,000	4,360,213	150,970,663	275,408,879
\$ (127,925,456)	12,822,298	40,740,836	62,626,402	\$ (9,763,773)	\$ 86,471,851
5.35%	6.18%	6.50%	6.99%	6.68%	7.42%

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	Total Direct Rate Applied to Base
		Homestead	Non-Homestead		as a Percentage of Actual Value ²	
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%
2017	6,494,050	19.21	37.76	6,680,286	97.21%	2.69%
2018	6,460,535	18.33	39.45	6,661,032	96.99%	2.70%
2019	6,396,895	18.86	41.15	6,571,027	97.35%	2.79%

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**

Fiscal Year Ended June 30	Class ¹	City of Rochester ²			Monroe County ³	Total Direct & Overlapping Rate
		School Purposes	General Municipal Purposes	Total Direct Rate	Overlapping Rate	
2010	Homestead	14.28	5.33	19.61	9.20	28.81
	Non-Homestead	30.48	11.21	41.69	9.20	50.89
2011	Homestead	14.11	5.39	19.50	9.16	28.66
	Non-Homestead	30.69	11.54	42.23	9.16	51.39
2012	Homestead	14.22	5.82	20.04	9.19	29.23
	Non-Homestead	30.49	12.30	42.79	9.19	51.98
2013	Homestead	13.71	5.61	19.32	9.20	28.52
	Non-Homestead	30.62	12.36	42.98	9.20	52.18
2014	Homestead	13.95	5.70	19.65	9.20	28.85
	Non-Homestead	29.95	12.09	42.04	9.20	51.24
2015	Homestead	13.83	6.22	20.05	9.22	29.27
	Non-Homestead	29.69	13.17	42.86	9.22	52.08
2016	Homestead	13.94	6.21	20.15	9.22	29.37
	Non-Homestead	29.03	12.88	41.91	9.22	51.13
2017	Homestead	13.10	6.11	19.21	9.17	28.38
	Non-Homestead	25.78	11.98	37.76	9.17	46.93
2018	Homestead	12.50	5.83	18.33	9.17	27.50
	Non-Homestead	26.93	12.52	39.45	9.17	48.62
2019	Homestead	12.58	6.29	18.87	9.21	28.08
	Non-Homestead	27.43	13.17	40.60	9.21	49.81

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 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 by the Monroe County Treasury.

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

	2019			2010		
	Taxable Value	Rank	Percentage of Total Taxable Assessed Value ¹	Taxable Value ²	Rank	Percentage of Total Taxable Assessed Value ²
Rochester Gas and Electric	\$ 854,569	1	13.36%	\$ 674,142	1	11.68%
Buckingham Properties	79,700	2	1.25	28,556	4	0.49
Frontier Telephone Corporation	66,285	3	1.04	76,285	2	1.32
Eastman Kodak Company	57,696	4	0.90	75,565	3	1.31
CSX	26,104	5	0.41	17,581	7	0.30
Clinton Asset Holding	25,000	6	0.39	-	-	-
Maguire Family Properties	21,676	7	0.34	18,768	5	0.33
Anthony Dimarzo	15,798	8	0.25	-	-	-
Landsman Development Corporation	11,162	9	0.17	15,442	10	0.27
Harris Corporation	10,535	10	0.16	-	-	-
EJD Company	-	-	-	18,670	6	0.32
Farash, Jalyann Brighton Development	-	-	-	16,556	8	0.29
NK - TCC Property	-	-	-	16,296	9	0.28
Totals	<u>\$ 1,168,525</u>		<u>18.27%</u>	<u>\$ 957,861</u>		<u>16.59%</u>

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

¹ The total taxable assessed value of \$6,396,895 was used for fiscal year 2018-19 taxes.

² The total taxable assessed value of \$5,772,686 was used for fiscal year 2009-10 taxes.

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

Fiscal Year Ended June 30	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount (2)	Percentage of Levy	
2010	\$ 197,219	\$ 182,281	92.43%	\$ 8,966	\$ 191,247	96.97%	
2011	201,211	185,325	92.10	9,371	194,696	96.76	
2012	205,558	189,505	92.19	9,949	199,454	97.03	
2013	206,013	190,291	92.37	11,532	201,823	97.97	
2014	206,188	191,616	92.93	11,190	202,806	98.36	
2015	213,694	198,289	92.79	11,567	209,856	98.20	
2016	213,823	198,982	93.06	10,793	209,775	98.11	
2017	217,466	203,176	93.43	11,286	214,462	98.62	
2018	219,298	205,190	93.57	9,429	214,619	97.87	
2019	224,642	209,139	93.10	N/A	209,139	93.10	

Notes:

- (1) Tax exempt properties with an assessed value of \$734,222,650 made payments in lieu of taxes amounting to \$14,581,073 for the fiscal year ending June 30, 2019. If these properties had been fully taxable, total revenues would have increased by \$14,466,402. The properties, upon expiration of their agreements will become fully taxable.
- (2) The City begins foreclosure action on properties after taxes are past due for one year. The City provides tax installment agreements of up to five years to taxpayers demonstrating financial hardship if the property is in compliance with City codes.

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
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	0.52	228
2012	262,655,400	-	-	1,435,796	12,465,626	276,556,822	0.80	370
2013	171,813,000	227,155,000	33,940,930	-	11,971,682	444,880,612	1.23	593
2014	155,400,000	223,810,000	31,679,985	-	9,556,959	420,446,944	1.22	561
2015	137,920,000	257,970,000	38,181,490	-	6,855,376	440,926,866	1.23	588
2016	139,270,000	245,880,000	37,480,065	-	4,010,017	426,640,082	1.18	571
2017	118,020,401	231,585,000	36,323,910	-	1,157,695	387,087,006	1.07	517
2018	99,036,602	340,230,000	55,970,885	-	366,839	495,604,326	1.30	663
2019	126,212,706	516,140,000	86,007,734	-	-	728,360,440	1.91	974

¹ 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; prior year data used for current year.

**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 - Net Bonded Debt	Percentage of Assessed Value of Property	Per Capita¹
2009-10	\$ 166,374,111	\$ -	\$ -	\$ -	\$ 166,374,111	2.88%	224
2010-11	152,489,769	-	-	-	152,489,769	2.64	205
2011-12	262,655,400	-	-	-	262,655,400	4.54	351
2012-13	171,813,000	227,155,000	33,940,930	4,735,764	428,173,166	7.24	571
2013-14	155,400,000	223,810,000	31,679,985	655,408	410,234,577	6.92	547
2014-15	137,920,000	257,970,000	38,181,490	320,406	433,751,084	7.26	579
2015-16	139,270,000	245,880,000	37,480,065	2,247,652	420,382,413	7.02	562
2016-17	118,020,401	231,585,000	36,323,910	5,573,029	380,356,282	5.86	509
2017-18	99,036,602	340,230,000	55,970,885	8,416,554	486,820,933	7.54	652
2018-19	126,212,706	516,140,000	86,007,734	15,699,855	712,660,585	11.14	974

¹ Population figures from the US Dept of Commerce www.bea.gov; current year and prior year data not available;
2017 data used for 2018 and 2019.

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2019**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct Debt:			
Rochester City School District	\$ 728,360,440	100.00%	\$ 728,360,440
Sub Total - Direct Debt	<u>728,360,440</u>		<u>728,360,440</u>
Overlapping Debt:			
City of Rochester	91,038,926	100.00%	91,038,926
County of Monroe	533,380,000	14.73%	78,566,874
Sub Total - Overlapping Debt	<u>624,418,926</u>		<u>169,605,800</u>
Total Direct and Overlapping Debt:	<u>\$ 1,352,779,366</u>		<u>\$ 897,966,240</u>

Note: 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 (14.73%) 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
2009-10	\$ 205,972,509	\$ 192,456,711	\$ 13,515,798	2.07%
2010-11	206,453,503	177,809,769	28,643,734	13.87
2011-12	206,455,928	173,717,400	32,738,528	15.86
2012-13	206,975,273	171,813,000	35,162,273	16.99
2013-14	206,974,677	159,400,000	47,574,677	22.99
2014-15	211,103,324	157,920,000	53,183,324	25.19
2015-16	211,601,950	157,270,000	54,331,950	25.68
2016-17	209,627,173	149,586,401	60,040,772	28.64
2017-18	222,170,000	146,794,602	75,375,398	33.93
2018-19	225,082,223	145,212,706	79,869,517	35.48

Legal Debt Margin Calculation for Fiscal Year 2018-19

Five-year average full valuation	\$ 6,430,920,648
9% of five-year average full valuation	578,782,858

Indebtedness

Borrowings -- RCSD Bonds	\$ 126,212,706
Borrowings -- RCSD BANs	19,000,000
	<u>145,212,706</u>

Net Indebtedness

Debt Limit (3.5%/9% of five-year average full valuation) ¹	<u>225,082,223</u>
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Debt Contracting Margin	<u><u>\$ 79,869,517</u></u>
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¹ 3.5% of 9% limitation is pursuant to the City of Rochester Charter which states how the allocation of revenue and debt-incurring power between the City and City School District will be conducted.

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
2009-10	\$ 1,485,426	\$ 1,485,426	\$ 123,396	0.92	\$ 1,281,413	\$ 1,281,413	\$ 171,062	0.88
2010-11	-	-	-	0.92	1,321,012	1,321,012	130,020	0.91
2011-12	-	-	-	-	1,385,256	1,385,256	71,466	0.95
2012-13	-	-	-	-	1,435,796	1,435,796	39,531	0.97
2013-14	-	-	-	-	-	-	-	-
2014-15	-	-	-	-	-	-	-	-
2015-16	-	-	-	-	-	-	-	-
2016-17	-	-	-	-	-	-	-	-
2017-18	-	-	-	-	-	-	-	-
2018-19	-	-	-	-	-	-	-	-

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 – MONROE COUNTY
LAST TEN FISCAL YEARS**

Fiscal Year	Population¹	Personal Income¹ (000s)	Per Capita Personal Income¹	Unemployment Rate^{2, 3}
2009-10	744,344	\$ 31,336,252	\$ 42,099	8.0%
2010-11	745,625	32,728,163	43,894	7.7
2011-12	747,615	34,478,067	46,117	7.9
2012-13	749,606	36,102,780	48,162	7.0
2013-14	749,857	34,438,705	45,927	5.8
2014-15	749,600	35,970,644	47,986	5.1
2015-16	747,727	36,057,927	48,223	4.7
2016-17	747,642	38,050,420	50,894	4.9
2017-18	N/A	N/A	N/A	4.3
2018-19	N/A	N/A	N/A	4.0

¹ Source: US Department of Commerce, Bureau of Economic Analysis

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

³ Average rate for 2019 based on monthly rates through September

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

Employer	2019			2010		
	Total Local Employees ¹	Rank	Percentage of Total Employment ²	Total Local Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong	31,802	1	5.62%	19,596	1	3.41%
Rochester Regional Health System	16,290	2	2.88%	7,136	4	1.24%
Wegmans Food Markets Inc.	13,053	3	2.31%	13,752	2	2.40%
Paychex	4,755	4	0.84%	3,431	8	0.60%
Rochester Institute of Technology	4,177	5	0.74%	3,168	9	0.55%
Harris Corporation	3,500	6	0.62%	2,300	10	0.40%
Lifetime Healthcare Cos. Inc.	3,271	7	0.58%	3,473	7	0.61%
Xerox	3,000	8	0.53%	7,014	5	1.22%
Angels in Your Home	2,216	9	0.39%	-	-	-
YMCA of Greater Rochester	2,147	10	0.38%	-	-	-
Eastman Kodak Company	-	-	-	7,400	3	1.29%
Unity Health System	-	-	-	5,229	6	0.91%

¹ Source Rochester Business Journal

² Employment source: www.labor.state.ny.us employment data as of June 2019

includes Monroe, Genesee, Livingston, Ontario, Orleans, Seneca, Wayne, Wyoming and Yates Counties

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

	2009-10	2010-11	2011-12	2012-13	2013-14
General Support:					
Board of Education	11	8	8	10	11
Chief School Administrator	14	13	6	5	4
Finance	59	52	49	52	51
Staff	45	36	39	41	42
Central Services	636	568	555	589	605
Total General Support	765	677	657	697	713
Instruction:					
Administration and Improvement	669	626	586	577	576
Teaching	4,033	3,737	3,483	3,527	3,375
Instructional Media	66	63	61	64	73
Pupil Services	271	238	313	334	318
Pupil Transportation	125	114	106	121	125
Community Services	109	110	38	35	31
Unclassified	15	14	12	10	10
Total Instruction	5,288	4,902	4,599	4,668	4,508
Total	6,053	5,579	5,256	5,365	5,221

	2014-15	2015-16	2016-17	2017-18	2018-19
General Support:					
Board of Education	13	12	11	11	11
Chief School Administrator	4	4	6	5	4
Finance	55	62	59	59	58
Staff	47	48	49	49	50
Central Services	707	701	708	708	734
Total General Support	826	827	833	832	857
Instruction:					
Administration and Improvement	585	598	601	634	626
Teaching	3,615	3,718	3,963	4,185	4,436
Instructional Media	72	83	87	86	80
Pupil Services	351	346	372	412	387
Pupil Transportation	113	133	134	135	135
Community Services	47	22	19	17	17
Unclassified	9	13	13	14	14
Total Instruction	4,792	4,913	5,189	5,483	5,695
Total	5,618	5,740	6,022	6,315	6,552

Note: Amended budget numbers used in 2015 and subsequent years.

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

Fiscal Year	K - 12 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
2009-10	31,654	\$ 713,317,157	\$ 22,535	2.1%	4,033	7.8	83.6%
2010-11	31,256	738,749,758	23,635	4.9	3,737	8.4	88.4
2011-12	30,693	697,003,038	22,709	-3.9	3,483	8.8	82.1
2012-13	29,523	731,173,747	24,766	9.1	3,527	8.4	100.0 ²
2013-14	29,103	771,586,459	26,512	7.1	3,375	8.6	100.0 ²
2014-15	28,401	774,851,111	27,283	2.9	3,615	7.9	100.0 ²
2015-16	27,745	800,404,517	28,849	5.7	3,718	7.5	100.0 ²
2016-17	26,976	873,959,350	32,398	12.3	3,963	6.8	100.0 ²
2017-18	26,155	896,195,912	34,265	5.8	4,185	6.2	100.0 ²
2018-19	25,742	998,432,626	38,786	13.2	4,436	5.8	100.0 ²

¹Source: RCSD CIP, May 2019

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
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
2016-17	26,976	49	3,963	833	1,226	636
2017-18	26,155	48	4,185	832	1,298	682
2018-19	25,742	48	4,436	857	1,259	688

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

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

(continued next page)

	2009-10	2010-11	2011-12	2012-13	2013-14
<u>Schools</u>					
Elementary					
Buildings ^a	38	38	38	38	38
Square Feet ^b	3,068,471	2,953,692	2,953,692	3,209,513	3,220,760
Capacity ^c	21,324	21,324	21,324	20,733	20,883
Enrollment K-8	17,228	17,152	16,949	16,679	16,672
Enrollment PreK ^d	-	-	950	944	935
Secondary					
Buildings ^a	16	14	14	14	14
Square Feet ^b	3,704,416	2,475,222	3,475,222	3,433,212	3,439,476
Capacity ^c	15,775	15,775	15,775	14,888	14,888
Enrollment 9-12	14,426	14,104	13,744	12,844	12,431
Other					
Buildings ^e	3	2	2	2	1
Square Feet	176,319	204,232	200,560	200,560	129,389
<u>Administrative</u>					
Buildings ^f	2	4	4	3	3
Square Feet	241,755	401,750	401,750	261,598	261,598
<u>Transportation</u>					
Garages/Maintenance (sq. ft.) ^g	256,077	-	-	-	-
Buses	88	88	86	86	90
<u>Athletics</u>					
Football Fields	7	7	7	7	7
Soccer Fields	9	9	9	9	9
Running Tracks	8	8	8	8	8
Baseball/Softball	22	22	22	22	22
Swimming Pools	13	13	13	13	13
Playgrounds ^h	36	36	36	36	36

Source: RCSD Facilities Department Records

Note: All footnotes apply to the data provided for 2018

^a The District facility portfolio includes buildings with differing grade configurations (PreK-6, PreK-8, K-12, 6-12, 7-12 or 9-12). Buildings containing both elementary and secondary students are classified in either elementary or secondary based on primary purpose. Includes leased facilities in addition to District-owned.

^b Square feet includes main building, transportables and any additional community use space that is District managed.

^c Capacity indicates the maximum number of students that a school can accommodate given current educational programming.

^d PreK enrollment includes only students educated in District facilities and does not include students in Community Based Organizations.

^e Facility is 30 Hart Street and is used for multiple purposes.

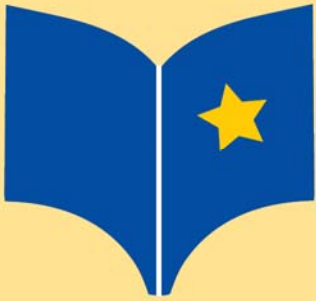
^f Facilities are Central Office, Service Center, Nassau Street warehouse and 283 West Ridge Road. Includes leased spaces.

^g Garage/Maintenance included as part of Service Center.

^h 2019 includes addition of playgrounds at Marshall, Wilson Foundation, Franklin and Martin Street.

<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
38	37	36	36	36
3,220,760	3,098,432	2,889,690	2,889,690	2,970,244
21,215	20,249	19,851	21,082	21,386
16,328	15,867	17,950	18,473	18,052
974	945	1,211	1,373	1,187
14	14	14	15	15
3,439,576	3,439,576	3,439,576	3,461,704	3,480,012
16,660	16,660	16,660	14,377	14,492
12,073	11,878	9,977	7,682	7,690
1	1	1	1	1
129,389	129,389	129,389	186,917	206,045
3	3	3	4	4
261,598	261,598	261,598	285,598	285,598
-	-	-	-	-
90	91	91	91	92
7	7	7	7	7
9	9	9	9	9
8	8	8	8	8
22	22	22	22	22
13	12	12	12	12
36	36	36	36	40

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Single Audit Report



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester City School District (the District), as of and for the year ended June 30, 2019, 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 3, 2019.

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 Board'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 District'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 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

Rochester City School District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 3, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND 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 the Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in the *OMB 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, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards, and contracts 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, 2019.

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 Board'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 3, 2019

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(continued on next page)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Direct Programs:				
Impact Aid	84.041B	S041B20193427	\$ -	\$ 456
Impact Aid	84.041B	S041B20183427	-	(166)
<i>Subtotal U.S. Department of Education Direct Programs</i>			-	290
Pass-Through the New York State Education Department:				
Grants to Local Educational Agencies, Title I Part A	84.010A	0021191395	-	20,260,705
Grants to Local Educational Agencies, Title I Parts A & D	84.010A	0021181395	-	2,660,768
Grants to Local Educational Agencies, Title I Part D	84.010A	0016191395	-	458,504
Grants to Local Educational Agencies, Title I School Improvement SES 1003(A)	84.010A	0011187021	-	58
Grants to Local Educational Agencies, Title I School Improvement SES 1003(A)	84.010A	0011187020	-	46
Grants to Local Educational Agencies, Title I School Improvement 1003(A)	84.010A	0011192004	-	12,630
Grants to Local Educational Agencies, Title I School Improvement 1003(A)	84.010A	0011182004	-	1,261,203
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011187130	-	52,871
Grants to Local Educational Agencies Title I, School Improvement	84.010A	0011197130	-	13,350
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195022	-	390,384
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0123187597	-	(148)
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195027	-	421,618
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195026	-	436,358
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187606	-	(293)
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123184106	-	20,654
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197608	-	412,516
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185112	-	51,955
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197018	-	247,648
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197019	-	250,000
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185113	-	46,746
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187616	-	965

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(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 Identifying Number</i></u>	<u><i>Pass-Through to Subrecipients</i></u>	<u><i>Federal Expenditures</i></u>
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185114	-	248,503
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0011195021	-	231,347
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187017	-	(11,155)
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185111	-	21,312
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185118	-	82,515
Supporting Effective Instruction State Grants Title IIA - Teacher & Principal	84.367A	0147191395	-	2,672,530
Supporting Effective Instruction State Grants, Title IIA - Teacher & Principal	84.367A	0147181395	-	374,821
Supporting Effective Instruction State Grants, Model P-20 Partnerships/Principal Prep	84.367A	0145191004	-	324,975
English Language Acquisition State Grants, Title III - Bilingual Education	84.365A	0293191395	-	360,601
English Language Acquisition State Grants, Title III - Bilingual Education	84.365A	0293181395	-	137,642
English Language Acquisition State Grants, Title III - Immigrant Education	84.365A	0149191395	-	24,255
English Language Acquisition State Grants, Title IIIA - Displaced ELL'S	84.365A	0154181395	-	442,597
Career & Technical Education - Basic Grants to States, Perkins Secondary	84.048A	8000190024	-	303,195
Career & Technical Education - Basic Grants to States, Perkins Secondary	84.048A	8000180024	-	(3,045)
Career & Technical Education - Basic Grants to States, Perkins Adult	84.048A	8000199020	-	74,109
Career & Technical Education - Basic Grants to States, Perkins Adult	84.048A	8000189020	-	(5,049)
Career & Technical Education - Basic Grants to States, Pathways to Technology	84.048A	8039190012	-	302,199
Adult Education - Basic Grants to States WIOA, Title 2, ESOL/Civics	84.002A	0040193011	-	137,597
Adult Education - Basic Grants to States WIOA, Title 2, Correctional Education	84.002A	0138192050	-	131,668
Adult Education - Basic Grants to States WIOA, Title 2, Correctional Education	84.002A	0138192020	-	(7,018)
Adult Education - Basic Grants to States WIOA, Title 2, Adult	84.002A	2338193177	-	224,539
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone	84.002A	2338183032	-	(6,754)
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - East	84.002A	2338193192	-	42,593
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - North	84.002A	2338193202	-	114,229
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - South	84.002A	2338193203	-	95,520
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - West	84.002A	2338193204	-	94,546
Education for Homeless Children & Youth, McKinney-Vento Homeless	84.196A	0212193023	-	109,445

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
21st Century Community Learning Centers	84.287C	0187197114	-	1,163,161
21st Century Community Learning Centers	84.287C	0187187114	-	(84)
Title IIB - Math/Science Partnerships	84.366B	0294190323	-	176,253
Performance Partnership Pilots for Disconnected Youth Student Support and Academic Enrichment Program,	84.420A	0144180007	-	89,757
Title IV Student Support/Academic Enrichment Student Support and Academic Enrichment Program,	84.424A	0196191706	-	931,485
Title IV SSAE Allocation	84.424A	0204191395	-	726,417
<u>Special Education Cluster:</u>				
Special Education Grants to States, IDEA Support Serv & Sec 611	84.027A	0032190370	-	10,039,043
Special Education Grants to States, SETRC	84.027A	C01221219	-	435,768
Special Education Grants to States, SETRC	84.027A	C01221218	-	(173)
Special Education Preschool Grants, IDEA Support Serv & Sec 619	84.173A	0033190370	-	490,648
<i>Subtotal Special Education Cluster</i>			-	10,965,286
<i>Subtotal Pass-Through New York State Education Department</i>			-	47,568,530
TOTAL U.S. Department of Education			-	47,568,819
U.S. Department of Health and Human Services				
Pass-Through the NYS Office of Temporary & Disability Assistance:				
Refugee and Entrant Assistance Discretionary Grants, Making a Connection (MAC)	93.576	C021724-20	-	8,831
Refugee and Entrant Assistance Discretionary Grants, Making a Connection (MAC)	93.576	C021724-19	-	76,987
TOTAL U.S. Department of Health and Human Services			-	85,818
U.S. Department of Agriculture				
<u>Child Nutrition Cluster:</u>				
Pass-Through NYS Bureau of School Food Management:				
School Breakfast Program	10.553	261600010000	-	6,515,152
National School Lunch Program - Lunch/Surplus Food Commodities	10.555	261600010000	-	14,308,716
Pass-Through City of Rochester:				
Summer Food Service Program for Children	10.559	261600010000	-	684,143
<i>Subtotal Child Nutrition Cluster</i>			-	21,508,011
Pass-Through the NYS Education Department:				
Fresh Fruit and Vegetable Program	10.582	0004180016	-	976,858
Total U.S. Department of Agriculture			-	22,484,869
Total Expenditures of Federal Awards			\$ -	\$ 70,139,506

See notes to Schedule of Expenditures of Federal Awards

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal grant 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 Financial Statements 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. Negative expenditures are the result of program closeouts.

3. Indirect Cost Rate

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, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: 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? X Yes No

Federal Awards

Internal control over major federal 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 federal 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 federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Programs or Clusters</u>
84.010	Title I Grants to Local Educational Agencies
84.424	Title IV Student Support and Academic Enrichment

Dollar threshold used to distinguish between type A and type B programs \$ 2,104,185

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, 2018 (Continued)**

II. FINANCIAL STATEMENT FINDINGS

2019-001 NON-COMPLIANCE WITH EDUCATION LAW

Criteria: Per Education Law Section 2576, the District is prohibited from spending funds in excess of the amount appropriated or available.

Condition: The District over-spent the amount authorized in the budget as approved by the Board of Education.

Cause: This situation was the result of inadequate management oversight of the District's budget and spending.

Effect: The District overspent the Board approved budget for the 2018-2019 fiscal year.

Context: This was identified by the auditors upon review of the Comprehensive Annual Financial Report.

Recommendation: We recommend the District refrain from over-spending the Board approved budget in the future and implement internal control over budget monitoring.

View of Responsible Officials and Planned Corrective Actions: We concur the District must refrain from overspending the Board approved budget, and controls will be implemented to improve Board oversight of spending. Monitoring controls are being established to validate budget assumptions and ensure that spending occurs in compliance with the Board approved budget. These controls will provide early detection, communication, and remediation of any unanticipated budgetary shortfalls and ensure proper fiscal management.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2019.

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted for the fiscal year ended June 30, 2018.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2018.



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 Statement

We have audited the accompanying Statement of Assets and Liabilities arising from cash transactions and Statement of Cash Receipts and Disbursements of the Extraclassroom Activity Funds of Rochester City School District (the District), as of and for the year ended June 30, 2019 and 2018, and the related note to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 statement 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 statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial 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 statement 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 Boards' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurer. 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 possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transaction and cash receipts and disbursements of the Extraclassroom Activity Funds of the District for the year ended June 30, 2019 and 2018, arising from cash collected and disbursements made during the years then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 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 3, 2019

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Assets		
Cash:		
Elementary Schools	\$ 31,663	\$ 37,299
Secondary Schools	<u>107,539</u>	<u>112,890</u>
Total Assets	<u><u>\$ 139,202</u></u>	<u><u>\$ 150,189</u></u>
Liabilities		
Student Deposits:		
Elementary Schools	\$ 31,663	\$ 37,299
Secondary Schools	<u>107,539</u>	<u>112,890</u>
Total Liabilities	<u><u>\$ 139,202</u></u>	<u><u>\$ 150,189</u></u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019**

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Receipts		
Elementary Schools	\$ 48,582	\$ 39,827
Secondary Schools	294,576	266,493
Total Receipts	<u>343,158</u>	<u>306,320</u>
Disbursements		
Elementary Schools	44,052	34,192
Secondary Schools	286,234	261,141
Total Disbursements	<u>330,286</u>	<u>295,333</u>
Excess of Receipts over Disbursements	12,872	10,987
Cash -- Beginning of Year	<u>126,330</u>	<u>139,202</u>
Cash -- End of Year	<u><u>\$ 139,202</u></u>	<u><u>\$ 150,189</u></u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019.

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.



*Every student by face and name.
Every school, every classroom.
To and through graduation.*

Rochester City School District
131 West Broad Street
Rochester, NY 14614
www.rcsdk12.org



2019

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