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CAFR

Comprehensive Annual Financial Report

Rochester City School District
131 West Broad Street
Rochester, NY 14614

*A Component Unit of the City of Rochester, New York
Fiscal Year Ended June 30, 2010*

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, 2010**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010**

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Introduction



Rochester City School District

Superintendent of Schools
Jean-Claude Brizard

December 16, 2010

Mr. Malik Evans, President
Board of Education
Rochester City School District
Rochester, New York 14614

Dear President Evans, 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, 2010. The CAFR was prepared by the District's Department of Accounting and Finance and is management's representation of the District finances. Management assumes full responsibility for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets. The District's comprehensive framework has been designed so that the cost of internal controls does not outweigh the benefits of such controls. Therefore, they provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The controls provide the District the ability to prepare the financial statements in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP). We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Freed Maxick & Battaglia, CPAs, PC an independent firm of certified public accountants. The purpose of an independent audit is to express an opinion regarding whether the financial statements are fairly stated. The independent auditors' report is presented in the financial section of this report and renders an unqualified opinion on the District's financial statements for the fiscal year ended June 30, 2010.

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

PROFILE OF THE REPORTING ENTITY

The mission of the District and the Board of Education is to educate each student to the highest level of academic achievement and to foster each student's social and emotional development. The District partners with families, caregivers, and the Rochester community to prepare students to meet or exceed standards, and to become lifelong learners, productive members of the workforce, and responsible, contributing citizens. We provide a full range of educational services to grade levels pre-kindergarten through 12. Services include regular and enriched academic education, special education for students with challenges, occupational education, many individualized programs, school-to-work programs, and partnerships with higher education. Programs are supplemented by a wide variety of offerings in the fine arts, music, and athletics. In addition, services are provided for adults, such as basic education, high school equivalency, continuing education, course offerings for non-English speaking and foreign born adults, and employment preparation. For the 2009-10 school year, the District reported the following enrollments: 17,228 elementary (K-6) and 14,426 secondary (7-12), for a total of 31,654 students.

Students within the geographical boundaries of the District may elect to attend charter schools, a type of public school. New York State Charter School Law passed by the legislature in December, 1998 grants a "charter" to a new school or an existing public school that applies for "charter status". The "charter" is granted for up to 5 years. Charter schools are overseen by public authorities, yet operate with a great deal of flexibility as independent, not-for-profit, educational corporations.

The statute requires that the District pay an amount to the charter school for each resident pupil enrolled that is equal to the approved operating expense per pupil of the public school district. The statute also requires that the District pay to the charter school any state or federal aid that is attributable to students with disabilities receiving special education services from the charter school to the extent that such aid is based on the enrollment of such students in the charter school and the special education services are provided. During fiscal year 2009-10 the District paid charter schools a total of approximately \$14.6 million from its general fund. Charter schools receiving payments were: Eugenio Maria de Hostos Charter School, Genesee Community Charter School, True North Rochester Preparatory Charter School, Rochester Academy Charter School and Urban Choice Charter School.

The District's financial statements are included in the financial statements of the City of Rochester (City) as a discretely presented component unit. The Board of Education of the District governs the public schools and is elected separately from the City. The District is dependent upon the City to contract bonded indebtedness and to levy taxes. The City's Charter states how the allocation of revenue and debt-incurring power between the City and the District will be conducted. The terms of this section of the Charter are as follows for fiscal year July 1, 2009 to June 30, 2010:

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 2009-10 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, 2009 and ending on June 30, 2010.

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

ECONOMIC CONDITIONS AND OUTLOOK OF THE REPORTING ENTITY

Local Economic Status and Forecast^{1 2}

The City continues transitioning from an economy dominated by two or three large companies to a more diverse base of small and medium-sized employers. Jobs in most manufacturing categories continue to decline, but are offset by the predominance of jobs in others areas such as high-technology, educational and health services, trade, transportation and utilities, and government. The Rochester economic landscape is led in large part by the area's higher education institutions, which have been somewhat less affected by the national economic downturn. The University of Rochester and its affiliates ranks as the region's largest employer and the 6th largest employer in New York State.

Despite the emergence of non-manufacturing sector jobs, Moody's ranks Rochester as 346 out of 392 in employment growth, as evidenced by persistent out-migration and declining population rates in recent years. The City is engaged in reversing this trend through development services that provide expanding and relocating businesses with technical assistance and financing through several business loan and grant programs. Many economic development activities in the City are centralized, providing greater convenience to businesses needing assistance. The City staffs the local development corporation,

Sources:

1 www.economy.com

2 The City of Rochester, New York, Official Statement dated August 20, 2010

Rochester Economic Development Corporation, the City's Renewal community Zone, and the State Empire Zone.

The Rochester area has long been considered to have a stable economy, especially when compared to other northeast and north-central metropolitan areas. The unemployment rate has historically been lower relative to national averages. The average 2009 unemployment rate for the Rochester area was 7.9% compared to the national average of 9.3% and the State average of 8.4%. The average home price in the Rochester area is just under \$120,000 as compared to the national average of just over \$200,000 and the cost of living in Rochester is also less than the national average. Therefore, the City of Rochester economy generally tends to be less volatile than the national economy and responds to the national trends on a six-to-eight month lag.

Projected Enrollment

The decline in District enrollment that began in the late 1990's can be attributed to the decrease in live births and the overall decline in the population of the City of Rochester. The enrollment decline accelerated with the formation of charter schools. The subsequent closing of the two largest charter schools at the end of fiscal 2004-05 temporarily reversed the downward trend, resulting in an influx of more than 1,200 students back into the District. The State has approved a sixth charter school in the City of Rochester which opened in September 2010. The impact of this opening has been factored into the District enrollment projections.

A ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total enrollment of approximately 1,300 students over the next five years. The decline is projected to end after five years with enrollment projected to rise gradually by approximately 150 students per year through years six to ten of the projection period.

Age of School Buildings

The School District maintains over 7.44 million square feet in 58 facilities. The District owns 51 educational and 2 administrative facilities. It also maintains 4 leased facilities. As the data in the below chart indicates, the age of the District's school buildings spans a wide range. The average age of District owned school buildings is 65 years. The District does not have any buildings that have dangerous conditions; however, given the number and overall age of the buildings in the District's inventory, the District continues to struggle to allocate enough of its limited resources to maintaining and modernizing its buildings. The District has embarked on Phase I of a Facilities Modernization Project that will target 13 school buildings for significant renovations and upgrades over the next 5 to 7 years.

Age of School Building	Elementary	Secondary	Total
Under 20	2	3	5
20 to 39	4	1	5
40 to 59	11	4	15
60 to 79	2	2	4
80 and over	18	4	22
Total	37	14	51
<i>Oldest Building = 112; Average Age = 65</i>			

The District continues to operate 13 schools which have some portion of the building that is at least 90 years old. The average age of the 13 oldest schools in the District is 99 years old, each having been built between 1898 and 1917.

The District uses industry standards including information from McGraw-Hill Construction and School Planning & Management as well as its own historical data as a guide to determine the correct allocation of funds for long-term facility renovation and maintenance of District facilities. In order to maintain facilities in the present condition, an annual investment of 1.5% to 3% of building replacement value needs to be committed to the space managed by the District. Based on the information from industry sources, our facilities have a forecasted replacement value of approximately \$295 per square foot, or an estimated total replacement value of \$2.02 billion for District owned buildings. Construction costs in the industrialized northeastern states tend to be higher than elsewhere in the nation. Based on the standard annual investment, the District should be investing between \$30 and \$61 million in annual renovation and maintenance costs through capital renovations or on-going maintenance expenditures.

In addition to annual maintenance and renovation costs, the District has identified a backlog of repairs and maintenance. The 2005 five-year building audit identified more than \$106 million in renovations that needed to be focused on over the next decade. This translates into additional needed investment of approximately \$10.5 million per year. The District is currently collecting data for an updated building condition survey and will have updated maintenance and renovation cost data for inclusion in the 2010-11 Capital Improvement Plan (CIP).

Capital Improvement Program (CIP)

Principally, financing of proposed capital projects occurs through either of two means: a direct appropriation of cash capital from the current operating budget or by borrowing funds through the issuance of notes and bonds. The District pays for procurements of equipment and expenditures for improvements with short-term life cycles through the operating budget. Equipment and facility improvements with long-term life cycles are generally funded through borrowed funds. The District's Capital Improvement Program (CIP) is prepared as a companion document to the Superintendent's budget proposal and is intended to provide for capital investments to further the Superintendent's goals and initiatives as outlined in that document. The CIP identifies targeted facility renovations for 2009-10 to 2013-14.

The District is engaged in a comprehensive Facilities Modernization Program (FMP) to address increased renovation and rebuilding needs that outstrip the District's current ability to access capital. Since the FMP legislation has passed, a Rochester Joint School Construction (RJSC) Board has been formed and a program management firm will be overseeing the plan as well as the individual renovation projects. The governing board will conduct a community-based planning process to identify the 13 schools that will be included in the first of three project phases. Phase one will include \$325 million in funding and will last 5 years. The full three-phase program will span 15 years and cost approximately \$1.2 billion.

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

In addition to the larger Facilities Modernization Plan, the District has set aside funds for specific program initiatives such as:

- Building Security and Fire Alarm System Upgrades – \$1.6 million has been allocated to specifically address needed upgrades to security camera systems and modernizing the fire alarm network.
- Academic Improvement Initiatives – This capital program allocates \$2.6 million for academic improvement initiatives that are planned to support the Superintendent's vision for the District such as implementing changes to the World of Inquiry School, expanding it to a kindergarten through grade 12 school, and reconfiguring East High School into a smaller learning community school.
- Long-term Facility Improvements and Code Compliance Projects – Approximately \$10.7 - \$13.3 million is scheduled for facility upgrades over the next five years to address ongoing maintenance, repairs and regulatory compliance projects.

Major Initiatives

The Superintendent, supported by members of his leadership team and the entire District community at large, is engaged through 2013 in the execution of robust and ambitious agenda for change. At the heart of this agenda are two core strategies:

- *Proactively manage and support performance to empower schools* – Based on their performance and capacity, schools will receive different levels of support and flexibility. Strong performers with high capacity, or "Autonomous Schools", will be empowered to make certain decisions, requesting support as needed from central administration. Schools that do not perform well, or "Dream Schools", will receive proactive support to improve their performance. Schools that fail to improve over time will be phased out or closed.

- *Create an organization and culture that is agile, flexible and responsive to schools and students -*
We will change our culture toward one in which support for schools and students is centric. By acknowledging that every student can succeed, they will.

With these two core strategies in mind, to more clearly define the path forward and develop a framework for the agenda for change, five goals have also been established:

- We will ensure that each of our students is academically prepared to succeed in college, life, and the global economy.
- We will create safe, engaging, and nurturing school environments that enable student success.
- We will recruit, develop, and retain highly effective, diverse people dedicated to student success.
- We will use world-class operational standards and practices to continuously improve how we support student success.
- We will create a culture in which we hold ourselves accountable for student success.

Key themes across the strategies and goals previously identified will be continuous improvement through the practice of recognition, intervention and adjustment through the use of data.

Relevant Financial Policies

The District evaluates its needs for cash daily, and any surplus funds are invested by the City, generally in certificates of deposit and repurchase agreements, for terms which accommodate the estimated financial needs of the District at the highest interest rates available. The amount of interest earnings reported in the General Fund for 2009-10 was \$260,643. The weighted average yield to maturity of purchases by the General Fund for 2009-10 was .24% compared to 1.27% in 2008-09.

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

Legal Requirements

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

AWARDS AND ACKNOWLEDGEMENTS

For the past twenty one (21) years, the District's Comprehensive Annual Financial Report 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 comprehensive annual financial report which is easily readable, efficiently organized, and conforms to program standards, as well as satisfies generally accepted accounting principles (GAAP) and applicable legal requirements.

The ASBO Certificate of Excellence Award is valid for a period of one year. It is our belief that our current Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the twentieth (20th) 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 Comprehensive Annual Financial Report. 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 Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Our appreciation goes first to the entire staff of the Department of Accounting. The preparation of this report could not have been accomplished without the efficient and dedicated services of this staff. Their many hours of hard work in gathering, organizing and analysis of information allows the District to present the high quality Comprehensive Annual Financial Report. We would also like to thank the many other District's administrators, teachers, and staff that have been involved in maintaining the discipline of the budgets and other financial plans for the various funds. We are grateful for their stewardship, which is critical to successful, diligent financial management and reporting. Finally, we wish to thank our independent auditors, Freed Maxick & Battaglia, 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,



Jean-Claude Brizard
Superintendent of Schools



Joyce Martelli
Chief Financial Officer

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



This 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, 2009

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

List of Rochester City School District Officials 2009-2010 School Year

MEMBERS OF THE BOARD OF EDUCATION

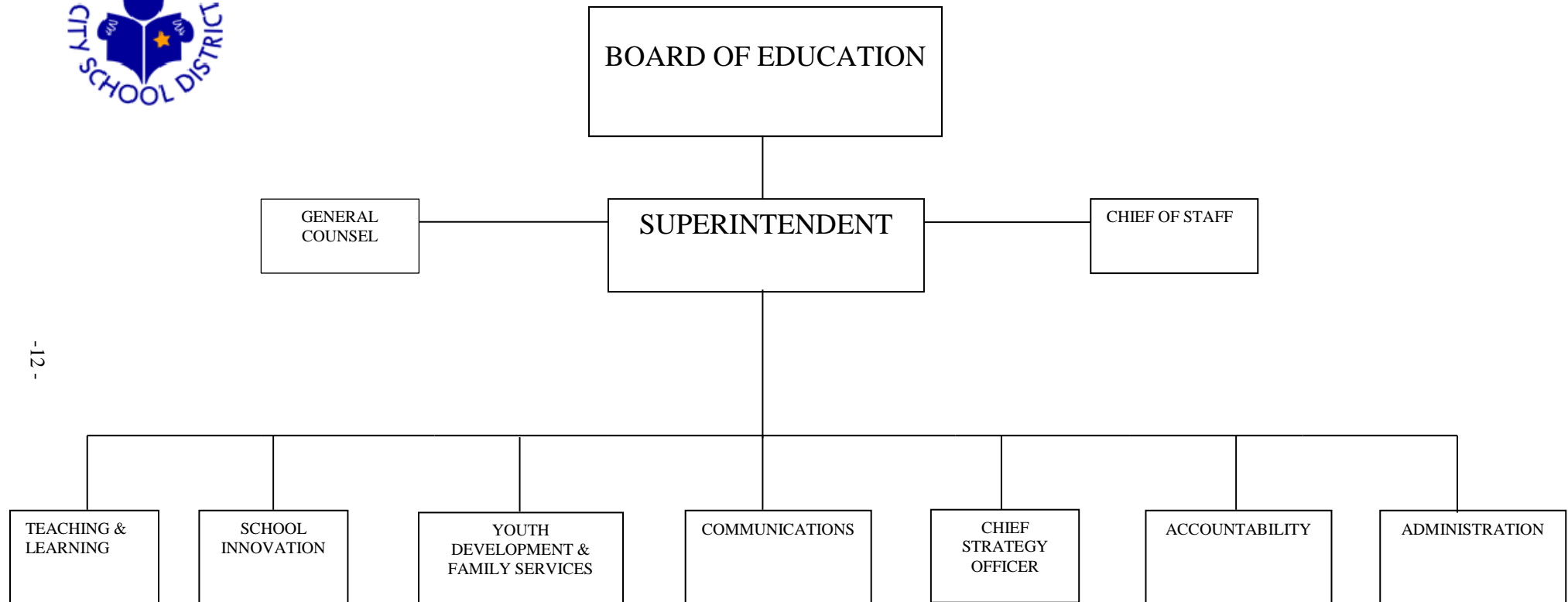
Malik Evans	President
Melisa Campos	Vice President
Jose Cruz	Member
Cynthia Elliott	Member
Willa Powell	Member
Van Henri White	Member
Allen Williams	Member

MANAGEMENT CABINET

Jean-Claude Brizard	Superintendent of Schools
Kirsten Barclay	Special Assistant to Superintendent
Linda Blankenhorn	Executive Director of Specialized Services
Mary Doyle	Senior Director of School Innovation
Kim Dyce Faucette	Chief of Staff
James Fenton	Chief Strategy Officer
Raymond Giamartino	Chief of Schools (Northeast Zone)
Michele Hancock	Chief of Human Capital Initiatives
Cheryl Holloway	Chief of Schools (South Zone)
Charles Johnson	General Counsel
Susan Kaufmann	Chief of Schools (Northwest Zone)
Annmarie Lehner	Information Technology Officer
Joyce Martelli	Chief Financial Officer
Gladys Pedraza-Burgos	Chief of Youth Development & Family Services
Tom Petronio	Chief Communications Officer
John Scanlan	Deputy Superintendent of Administration
Jeanette Silvers	Chief of Accountability
Jerome Underwood	Senior Director of Operations



RCSD 2009-2010 ORGANIZATION



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Financial



Freed Maxick & Battaglia, CPAs, PC

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 the accompanying financial statements of the governmental activities and each major fund of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund and the aggregate remaining fund information of the District, as of June 30, 2010 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, schedule of funding progress for retiree health plan and budgetary comparison schedules on pages 17 through 28, page 67 and page 68 through 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental financial statements and schedules, statistical section, and the schedule of New York State and other awards as listed in the table of contents as supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section, statistical section and the schedule of New York State and other awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Fred Maxick & Battaglia, CPAs, PC

Rochester, New York
November 11, 2010

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

As management of the Rochester City School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2010 by \$148,809,887; a decrease of \$11,968,943 as compared to the prior year. The decrease can be attributed primarily to contractual benefit and salary increases and other postemployment benefit liability increases, such as health insurance. For more information on these liabilities, see the "Notes To Financial Statements" section of this report.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$88,800,082, an increase of \$66,702,780, in comparison with the prior year. Of this \$66,702,780 increase, \$61,490,498 is proceeds from the issuance of long term debt (serial bonds) during the 2009-10 fiscal year.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$19,104,429 or 3.3% of total budgeted general fund expenditures of \$580,687,245 for 2010-11.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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.

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

The government-wide financial statements can be found on pages 31 and 32 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 can be divided into two categories: governmental funds and fiduciary funds.

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special aid fund, school food service fund, debt service fund, and capital projects 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 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 33-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 40 and 41 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 42-65 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$148,809,887 at the close of the most recent fiscal year.

A positive portion of the District's net assets in the amount of \$227,098,515 reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery, and equipment), less any related debt used to acquire those assets that is 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 \$78,288,628 reported at June 30, 2010 is not current and represents liabilities that will be funded with future budgets. This occurred because the District is required to accrue in its government-wide statements all of its long-term obligations.

Rochester City School District's Net Assets (Deficit)

Governmental Activities	2008-09	2009-10
Current and other assets	\$ 175,358,441	\$ 191,379,002
Capital assets (net of accumulated depreciation)	419,870,373	414,558,208
Total assets	595,228,814	605,937,210
Long-term liabilities outstanding	278,804,344	351,225,490
Other liabilities	155,645,640	105,901,833
Total liabilities	434,449,984	457,127,323
Net assets:		
Invested in capital assets, net of related debt	231,461,078	227,098,515
Unrestricted (Deficit)	(70,682,248)	(78,288,628)
Total net assets	\$ 160,778,830	\$ 148,809,887

"Current and other assets" increased by approximately \$16.0 million during fiscal year 2009-10. This increase was primarily due to an increase of cash and cash equivalents of approximately \$10.1 million as compared to the prior year due to timing differences for payments of payroll and accounts payable. Also contributing to the increase in current and other assets was an increase in receivables from other governments. Approximately \$4.4 million was due to the District from the City of Rochester for premiums associated with fiscal 2009-10 debt issuance at June 30, 2010.

"Capital assets" (net of accumulated depreciation) decreased \$5.3 million during fiscal year 2009-10 due to the outpacing of depreciation in relation to capital asset additions that were recorded during the fiscal year.

Outstanding "long-term liabilities" increased by \$72.4 million as compared to the prior year, primarily due to the issuance of \$60.2 million in bonds during fiscal 2009-10. Additionally, the liability for Other Post-Employment Benefits (OPEB) which includes the estimated cost for health insurance for all current, eligible employees of the District when they

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

retire, increased by approximately \$28.1 million. The increase to the OPEB liability was offset by approximately \$18.2 million in reductions for scheduled debt and contractual obligation payments which occurred during fiscal 2009-10. For more information on OPEB, refer to Note V. C. of this report.

The \$49.7 million decrease in "Other liabilities" was primarily attributable to the conversion of BANs - a short term, "other" liability, to Bonds - a long-term liability, as mentioned above. The \$60.2 million decrease associated with the conversion was offset by increases in accrued liabilities and accounts payable of approximately \$6.6 million at year end.

As mentioned previously, the unrestricted deficit of \$78,288,268 reported at the end of fiscal year 2009-10 is not current and represents liabilities that will be funded with future budgets. Presented below are details of the District's changes in net assets:

Governmental Activities	2008-09	2009-10
Revenues		
Program revenues:		
Charges for services	\$ 17,371,646	\$ 2,668,935
Operating grants and contributions	95,492,259	101,612,225
General revenues		
State & Federal Aid	385,981,017	408,172,635
Intergovernmental	119,100,000	119,100,000
Lottery Aid	55,584,823	56,900,547
Other	21,978,150	12,893,872
Total Revenues	695,507,895	701,348,214
Expenses		
General Support:		
Board of Education	678,153	700,462
Chief School Administrator	3,263,226	2,625,789
Finance	5,781,686	6,060,425
Staff	6,987,989	7,030,907
Central Services	74,596,293	75,301,682
Other	3,617,425	9,593,834
Total General Support	94,924,772	101,313,099
Instruction:		
Administration and Improvement	76,490,377	76,364,476
Teaching	420,456,795	422,444,062
Instructional Media	10,053,812	11,110,860
Pupil Services	32,319,277	32,250,202
Total Instruction	539,320,261	542,169,600
Pupil Transportation	60,121,041	55,139,810
Community Services	7,273,466	6,965,346
Interest Long-Term Debt	7,855,374	7,729,302
Total Expenses	709,494,914	713,317,157
Increase (decrease) in net assets	(13,987,019)	(11,968,943)
Net assets - Beginning	174,765,849	160,778,830
Net assets - Ending	\$ 160,778,830	\$ 148,809,887

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

Program revenues for charges for services decreased by approximately \$14.7 million from fiscal year 2008-09 to 2009-10 due to a reclassification of funds received from the State and Federal governments for the subsidy of meals. This reclassification resulted in approximately \$15.4 million being reallocated from "Charges for services" to the "State & Federal Aid" category.

Program revenues from operating grants and contributions increased by approximately \$6.1 million. The increase is primarily due to funding received from the American Recovery and Reinvestment Act of 2009 (ARRA). These funds were issued and earmarked by the Federal government to support the Title I and IDEA programs.

"State and Federal Aid" increased by approximately \$22.2 million, primarily due to the receipt of \$20.3 million in Federal Fiscal Stabilization (ARRA) funds, which were recorded during fiscal 2009-10. In addition to the \$15.4 million reclassification which increased State and Federal Aid, other increases in Excess Cost aid, Tuition for Students with Disabilities and Medicaid were offset by a decrease in State Basic Formula aid of approximately \$23.7 million. The amount of State Aid allocated to the District each year is determined by the State of New York.

"Other general revenues" decreased by approximately \$9.1 million as compared to the previous year. This decrease is attributable to the reduction of construction revenue recorded in the capital fund during fiscal 2009-10 in association with the Ryan Center project. There was significant activity performed on the Ryan Center in the prior year as compared to the current year.

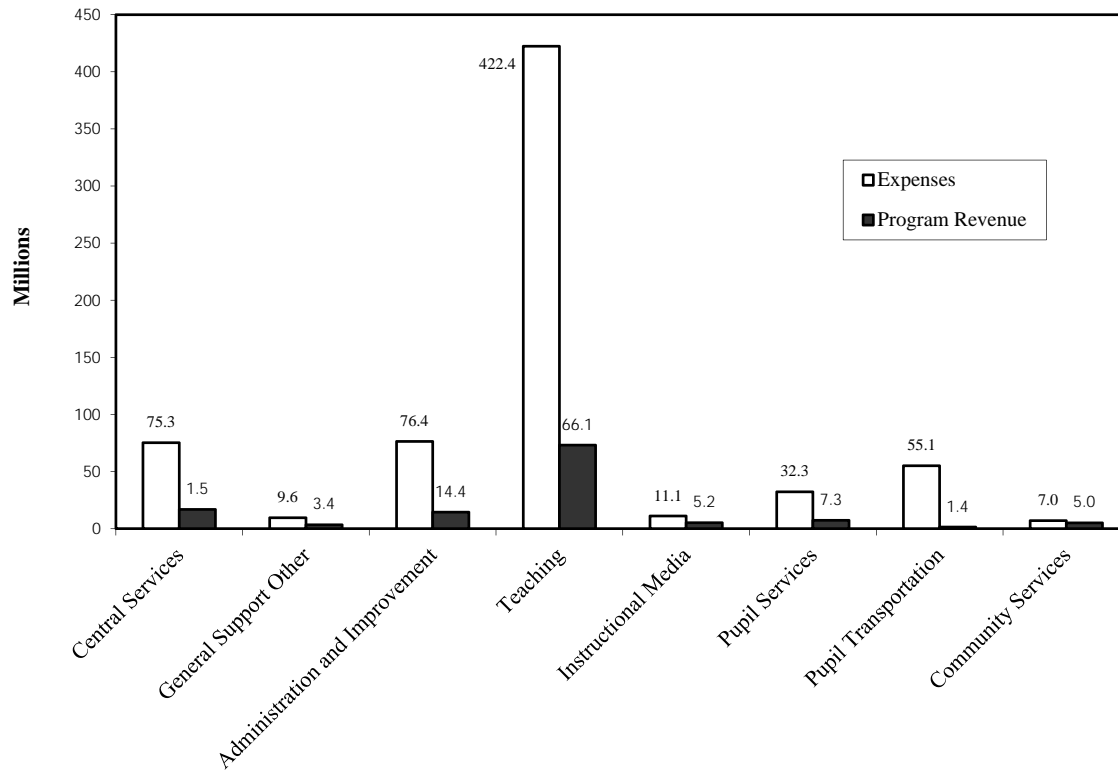
Expenses in the General Support categories increased overall by approximately \$6.4 million. \$6.0 million of this increase specifically relates to the "Other" general support category when compared to the previous year. This increase is attributable to the change in estimate at the end of 2008-09 for the Rochester Teacher's Association (RTA) Masters Class Arbitration award. At the end of fiscal 2008-09, it had been determined that the majority of the claims associated with this award had been paid. As a result, a reduction of fiscal 2008-09 expenses of approximately \$5.8 million was recorded at June 30, 2009. In the absence of this adjustment General Support expenses from year to year would have remained level.

Expenses for instructional purposes are incurred to provide the best education in the safest environment possible and in the most economical way for all of our students. Total instructional expenses increased by approximately \$2.9 million in 2009-10 as compared to the previous year, which is significantly less than the \$51.3 million increase reported at June 30, 2009 as compared to the previous year. These expenses routinely increase due to inflation and contractual obligations and include items such as computer upgrades in the classroom, new textbooks, increases in payments to Charter Schools, capital expenses for repairs and maintenance items, depreciation on facilities used for teaching, and school staff salaries and benefits including the Teachers Retirement System, health care, long-term liabilities for workers' compensation and other post-employment benefits.

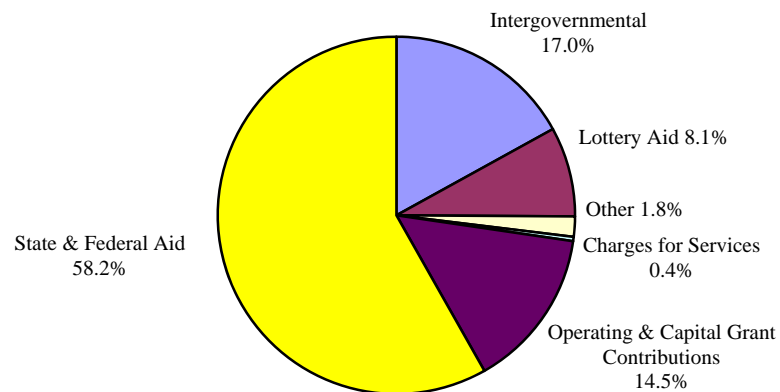
During 2009-10 Pupil Transportation expenses decreased by approximately \$5.0 million as compared to the previous year for two primary reasons: the transportation service contracts were re-bid for 2009-10 services in order to obtain a more favorable rate and the bus routes were redesigned to minimize the number of routes needed.

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

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



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

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved 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 \$88,800,082, an increase of \$66,702,780 from the prior year's fund balance of \$22,097,302. Components of the fund balance consist of a reserved balance of \$11,988,421 and an unreserved balance of \$76,811,661. The reserved portion indicates that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, recognize inventory, and/or legally segregate portions for a specific future use.

The primary reason for the increase of approximately \$66.7 million in the combined ending fund balance is the recording of the proceeds from the issuance of bonds and installment purchase contracts in the Capital Fund of approximately \$61.5 million.

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District had a \$76,965,434 in unreserved fund balance. This balance is divided between designated and undesignated items. The designated items total \$57,861,005 and the undesignated balance is \$19,104,429. The designated items represent management's intended future use of available expendable financial resources.

As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures (excluding transfers out) within a given year. In 2009-10, the unreserved fund balance of \$76,965,434 is approximately 14.3% of the total fund expenditures and the total fund balance of \$77,402,024 is approximately 14.4% of the total fund expenditures of \$536,946,472.

In the aggregate, revenues and other financing sources increased by approximately 2.6% while expenditures and other financing uses increased by approximately 1.4% from fiscal year 2008-09 to fiscal year 2009-10. The net effect of these changes increased the fund balance of the general fund by \$17,179,256, as compared to the previous year's balance.

Revenues from local sources increased approximately \$3.1 million from the previous fiscal year. This is primarily due to a \$2.9 increase in E-Rate revenues received as compared to the previous year. E-Rate revenues are discounts granted to school Districts based on poverty level and urban/rural status. These revenues assist schools in obtaining affordable telecommunications and internet access, with discounts ranging from 20% to 90% of the cost of eligible services.

Revenues from State sources decreased by approximately \$18.7 million during fiscal year 2009-10 primarily due to New York State's struggle to respond to its own budget deficit. The amount of State aid provided to the District in any given year is determined by the State.

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Federal revenue increased by approximately \$21 million as compared to the prior year. This increase is attributable to the receipt of approximately \$20.3 million in Fiscal stabilization funds which were recorded during 2009-10 and were used to offset the gap created by State aid reductions.

Generally, the District was able to maintain nominal increases of 3% or less in most General fund expenditure categories, and in some cases moderate decreases, as compared to the previous year. Notable changes between fiscal years with respect to general fund expenditure categories are as follows:

Expenditures for the category "General Support – Other" increased by approximately \$4.5 million or 43.2%. As mentioned previously, the substantial increase is due to a change in estimate for the RTA Masters Class Arbitration award which reduced expenditures in this category by approximately \$5.8 million in the preceding year.

Expenditures for the category "Instructional - Other" decreased by approximately \$5.0 million or 5.1%. Approximately \$2.0 million of elementary and secondary librarian salaries were funded by Title I stimulus funding instead of the District's operating budget beginning in 2009-10. Other decreases were attributable to reductions in training and other expenditures for costs associated with the rollout of Contract for Excellence programs such as AVID, I'm Ready, and In-School Suspensions, which were introduced during 2008-09.

Pupil transportation expenses decreased by approximately \$4.6 million, or 8.3%, during fiscal 2009-10 and as compared to the previous year. As mentioned previously, this decrease was due to the rebidding of transportation service contracts for the 2009-10 year in order for the District to obtain more favorable rates, as well as the existence of fewer bus routes.

Special Aid Fund

There was no change in the special aid fund balance from fiscal year 2008-09 to fiscal year 2009-10, as the Special Aid fund maintains a "zero" fund balance from year to year. However, total revenues and expenditures from fiscal year 2008-09 to fiscal year 2009-10 increased by approximately \$13.1 million, or 14.6% overall due to funds received from the American Recovery and Reinvestment Act of 2009 (ARRA). These funds were issued and earmarked by the Federal government to support the Title I and IDEA programs and were used to: identify, create, and structure opportunities and strategies to strengthen education, drive school reform, and improve the academic achievement of at-risk students; improve teaching and learning and attain positive results for pre-school and school-age children with disabilities; improve the identification of homeless children and youth and to assist them in enrolling, attending and succeeding in school; purchase equipment that improved the overall quality of meals and improved efficiency of production and service.

School Food Service

Revenues increased by approximately \$.4 million, or 2.6% in the school food service fund during fiscal 2009-10 as compared to the prior year, while expenses increased by approximately \$.8 million, or 5.2%, for an overall decrease to the fund balance of \$112,462 at the end of fiscal year 2009-10. The increase in revenues is attributable to higher reimbursement rates associated with the increased participation in the Free and Reduced meal program and expansion of the Breakfast in Classroom program.

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The increase in expenses between fiscal years 2008-09 and 2009-10 is primarily due to salary and benefit increases for service providers, the purchase of new Point-Of-Sale (POS) equipment and increased commodity processing and equipment repair costs.

Debt Service

The City, at the request of the District, issues debt for the District which is the District's responsibility to repay. This debt, in the form of Bond Anticipation Notes 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 2009-10. Any balance in the debt service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned during the year. These earnings are transferred to the District's general operating fund and are used for repayment of future debt service requirements.

Capital Projects

The capital projects ending fund balance for fiscal year 2009-10 increased by approximately \$49.6 million from the prior year's ending fund balance. The reason for the substantial increase was the result of converting bond anticipation notes to bonds. Expenditures on capital projects decreased by approximately \$22.4 million or 45.5%. The decrease in capital expenditures was primarily due to a decrease of \$18.5 million in spending on a major project, the Ryan Center, as well as a decrease of \$3.9 million in the scope of the work completed on various other capital construction projects in 2009-10 as compared to the previous fiscal year.

Budgetary Highlights – General Fund

The original 2009-10 budget was increased/amended by \$16,628,520 as follows:

<u>Revenues</u>	
Local Sources	\$ 2,131,855
State Sources	(17,067,593)
Federal Sources	19,093,734
	<hr/> 4,157,996
Other Financing Sources - Transfers In	6,466,524
Appropriated Fund Balance	6,004,000
	<hr/> \$ 16,628,520
<u>Expenditures</u>	
General Support	\$ 1,871,573
Instructional	561,553
Pupil transportation	3,659,326
Community services	154,496
Employee benefits	(4,335,253)
Debt service	50,468
	<hr/> 1,962,163
Other Financing Uses - Transfers out	8,874,962
Fund Balance Reserve	5,791,395
	<hr/> \$ 16,628,520

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

Budgetary Highlights – General Fund

Significant changes between the original and final amended budgets for general fund revenues occurred in several categories. Local Sources increased by approximately \$2.1 million due to increased E-rate reimbursements. State Sources increased by approximately \$3.3 million due to increases in Special Services Aid and High Cost Aid. Federal Sources experienced an approximate \$1.3 million decrease due to lower Medicaid reimbursements related to changing federal regulations for these services. Other Financing Sources increased by approximately \$6.5 million as a result of debt restructuring that occurred in response to favorable borrowing programs being offered through “Build America Bonds” (BABs) associated with the American Recovery and Reinvestment Act, as well as restructuring related to the repayment of unspent proceeds from existing ordinances for capital projects. The Appropriated Fund Balance increased by \$6.0 million to address mid-year New York State funding reductions.

General fund budget expenditure increases were tied directly to revenue budget increase. The most significant changes occurred in Pupil Transportation, Employee Benefits, Other Financing Uses and Fund Balance Reserve. Pupil Transportation increased by \$3.7 million as a result of renegotiated transportation contracts with outside vendors. The renegotiated contracts actually saved the district several million dollars. However, the savings were not as great as originally anticipated resulting in a mid-year budget increase. Employee Benefits decreased by \$4.3 million in large part due to favorable Teacher Retirement System rates, which were originally budgeted at 7.2% but were adjusted to 6.19% based upon actual experience. Other Financing Uses increased by \$8.9 million related to the early repayment of unused BAN proceeds. The \$5.8 million Fund Balance Reserve was related to a mid-year budget freeze in order to set aside funds for the 2010-11 budget in anticipation of reduced New York State aid reimbursements.

Final Budget to Actuals – General Fund

Several general fund expenditure categories experienced significant favorable variances between the final budget and actual expenditures. These categories include: Central Services, Teaching Regular School, Special Apportionment Programs and Pupil Transportation. The favorable variances in each of these categories were the result of mid-year staffing and operating budget freezes which were put into place to generate savings to set aside funds for the 2010-11 Budget in anticipation of reduced New York State aid reimbursements.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets for its governmental activities as of June 30, 2010 amounted to \$414,558,208 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery, equipment, and construction in progress. There was a net decrease in the District’s investment in capital assets for the current fiscal year of \$5,312,165.

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

- Ongoing repairs and improvements. Asset additions of \$16.6 million were due to long-term facility improvements and code compliance projects at facilities throughout the District. These funds are used to address issues such as: roof replacements, masonry

**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.

- Continuation and near completion of the Thomas P. Ryan Center and Library and Audubon School #33 Addition and Renovation Project. This \$36.5 million project will integrate the Ryan Center with School #33 to provide a modern complex (school, library, and recreation center) to serve the needs of the northeast community of Rochester.

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

	<u>2008-09</u>	<u>2009-10</u>
Land	17,168,786	17,439,068
Buildings & Improvements	333,234,744	371,146,117
Equipment & Other	19,287,323	17,746,106
Construction	50,179,520	8,226,917
Total	<u><u>\$ 419,870,373</u></u>	<u><u>\$ 414,558,208</u></u>

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

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$166,374,111 which was backed by the full faith and credit of the City of Rochester.

	Governmental Activities	
	<u>2008-09</u>	<u>2009-10</u>
General Obligation Bonds	\$ 116,050,555	\$ 166,374,111

The City of Rochester, which issues debt on behalf of the District, has a rating of Aa3 from Standard & Poor's and an A 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, 2010 was \$205,972,509, leaving a debt contracting margin of \$13,515,798.

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

Economic Factors and Next Year's Budgets and Rates

The District is located within the City of Rochester (Rochester). Rochester struggles to maintain a strong economy even though its major employers have gone through significant downsizing. Local economic challenges are further impacted by New York State's struggle to

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

respond to its own budget deficit. The State passed \$9.8 million to the District from the Federal stabilization dollars which partially offset the decrease in funds produced by the Gap Elimination Adjustment. An additional \$16.2 million is to be received as part of the Federal Stimulus package in support of Title I and IDEA programs. Despite these measures, the District needed to decrease projected expenditures based on the anticipated increase of the 2009-10 cost structure. The 2010-11 budget reflects a number of cuts, touching all areas of the District, from central office to schools. Personnel cuts had the largest impact on the 2010-11 budget. This was necessary because of reduced revenue and the steady decline in enrollment over the past several years.

General Fund. The 2010-11 original budget of \$580,687,245 represents a decrease of approximately 2.4% from the 2009-10 amended budget of \$595,196,077. The decrease is attributable to the reduction of 416 FTEs and district-wide operating reductions for goods and services, offset by contractual salary and benefit increases.

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 Office of Administration, Rochester City School District, 131 West Broad Street, Rochester, New York 14614.

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BASIC FINANCIAL STATEMENTS

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 122,846,633
Accounts Receivable	1,843,715
Due from Other Governments	66,149,989
Prepayments	381,228
Inventories	157,437
Capital Assets (net of accumulated depreciation):	
Land	17,439,068
Buildings & Improvements	371,146,117
Equipment	17,746,106
Construction In Progress	8,226,917
Total Assets	\$ 605,937,210
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 53,952,949
Due To Fiduciary Funds	3,364,488
Due To Other Governments	2,869,601
Due To Retirement Systems	18,255,986
Unearned Revenue	1,376,209
Notes Payable - BANs	26,082,600
Noncurrent Liabilities:	
Due Within One Year	28,049,505
Due in More Than One Year	323,175,985
Total Liabilities	\$ 457,127,323
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 227,098,515
Unrestricted (Deficit)	(78,288,628)
Total Net Assets	\$ 148,809,887

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

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Function / Program	Expense	Program Revenues		Net (Expense) Revenue Changes in Net Assets Government Activities
		Charges for Services	Operating Grants and Contributions	
General Support:				
Board of Education	\$ 700,462	\$ -	\$ -	\$ (700,462)
Chief School Administrator	2,625,789	-	-	(2,625,789)
Finance	6,060,425	-	-	(6,060,425)
Staff	7,030,907	-	-	(7,030,907)
Central Services	75,301,682	1,032,158	439,366	(73,830,158)
Other	9,593,834	-	3,392,481	(6,201,353)
Total General Support	101,313,099	1,032,158	3,831,847	(96,449,094)
Instruction:				
Administration and Improvement	76,364,476	-	14,387,363	(61,977,113)
Teaching	422,444,062	1,636,777	64,477,193	(356,330,092)
Instructional Media	11,110,860	-	5,225,535	(5,885,325)
Pupil Services	32,250,202	-	7,332,711	(24,917,491)
Total Instruction	542,169,600	1,636,777	91,422,802	(449,110,021)
Pupil Transportation	55,139,810	-	1,380,549	(53,759,261)
Community Services	6,965,346	-	4,977,027	(1,988,319)
Interest on Long-Term Debt	7,729,302	-	-	(7,729,302)
Total Governmental Activities	\$ 713,317,157	\$ 2,668,935	\$ 101,612,225	(609,035,997)
General Revenues:				
Intergovernmental (Unrestricted)				119,100,000
Use of Money & Property				4,768,568
State & Federal Aid (Unrestricted)				408,172,635
Lottery Aid (Unrestricted)				56,900,547
Miscellaneous				8,125,304
Subtotal, General Revenues				597,067,054
Changes in Net Assets				(11,968,943)
Net Assets - Beginning				160,778,830
Net Assets - Ending				\$ 148,809,887

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

ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 99,671,694	\$ -	\$ 37,714
Receivables:			
Accounts	866,439	547,753	429,523
Due from other funds	26,255,254	417,246	1,341,839
Due from other governments	28,975,732	35,681,826	1,435,149
Prepayments and deposits	381,228	-	-
Inventories at cost	-	-	157,437
Total assets	<u>\$ 156,150,347</u>	<u>\$ 36,646,825</u>	<u>\$ 3,401,662</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 40,510,944	\$ 6,412,651	\$ 1,345,357
Due to other funds	19,775,461	26,388,783	-
Due to other governments	2,869,601	-	-
Due to retirement systems	15,592,317	2,469,182	160,669
Deferred revenues	-	1,376,209	-
Notes payable - BANS	-	-	-
Total liabilities	<u>78,748,323</u>	<u>36,646,825</u>	<u>1,506,026</u>
Fund balances:			
Reserved for:			
Encumbrances	436,590	-	-
Inventory	-	-	458,729
Unreserved:			
Designated for potential PYA claims	6,386,822	-	-
Designated for workers' compensation	10,268,724	-	-
Designated for subsequent year's expenditures	25,879,694	-	-
Designated for OPEB	13,500,765	-	-
Designated for Insurance Claims	1,825,000	-	-
Undesignated	19,104,429	-	1,436,907
Total fund balance	<u>77,402,024</u>	<u>-</u>	<u>1,895,636</u>
Total liabilities and fund balances	<u>\$ 156,150,347</u>	<u>\$ 36,646,825</u>	<u>\$ 3,401,662</u>

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

Debt Service	Capital Projects	Total Governmental Funds
\$ -	\$ 23,137,225	\$ 122,846,633
-	-	1,843,715
-	14,785,417	42,799,756
-	57,282	66,149,989
-	-	381,228
-	-	157,437
<u>\$ -</u>	<u>\$ 37,979,924</u>	<u>\$ 234,178,758</u>
\$ -	\$ 2,361,084	\$ 50,630,036
-	-	46,164,244
-	-	2,869,601
-	33,818	18,255,986
-	-	1,376,209
-	26,082,600	26,082,600
<u>-</u>	<u>28,477,502</u>	<u>145,378,676</u>
-	11,093,102	11,529,692
-	-	458,729
-	-	6,386,822
-	-	10,268,724
-	-	25,879,694
-	-	13,500,765
-	-	1,825,000
-	(1,590,680)	18,950,656
-	9,502,422	88,800,082
<u>\$ -</u>	<u>\$ 37,979,924</u>	<u>\$ 234,178,758</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010

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

Total fund balances	\$ 88,800,082
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	406,331,291
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	8,226,917
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(351,225,490)
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	<u>(3,322,913)</u>
Net assets of governmental activities	<u>\$148,809,887</u>

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ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

(continued next page)

	General	Special Aid	School Food Service
Revenues			
Local sources:			
Use of money and property (interest and rent)	\$ 356,436	\$ -	\$ -
Intergovernmental	119,100,000	-	-
Other	11,182,105	2,376,648	455,174
State sources	427,669,125	27,463,976	516,992
Federal sources	22,035,316	71,771,601	13,921,824
Surplus food	-	-	929,925
Sales	-	-	576,984
Total revenues	<u>580,342,982</u>	<u>101,612,225</u>	<u>16,400,899</u>
Expenditures			
Current:			
General Support:			
Staff	6,762,646	-	-
Central services	48,943,355	439,366	-
Other	14,993,274	3,392,481	9,301,641
Instructional:			
Teaching - regular school	191,639,052	33,653,150	-
Special apportionment programs	122,719,852	19,345,196	-
Other	94,560,035	40,344,855	-
Pupil transportation	50,907,323	1,380,549	-
Community services	1,796,862	4,977,027	-
Cost of sales	-	-	7,211,720
Debt service:			
Principal	3,721,626	-	-
Interest	902,447	-	-
Capital outlay	-	-	-
Total expenditures	<u>536,946,472</u>	<u>103,532,624</u>	<u>16,513,361</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,396,510</u>	<u>(1,920,399)</u>	<u>(112,462)</u>
Other Financing Sources (Uses)			
Issuance of long-term debt	-	-	-
Transfers in	11,103,656	1,920,399	-
Transfers out	(37,320,910)	-	-
Total other financing sources (uses)	<u>(26,217,254)</u>	<u>1,920,399</u>	<u>-</u>
Net change in fund balances	17,179,256	-	(112,462)
Fund balances - beginning, as stated	60,222,768	-	2,008,098
Fund balances - ending	<u>\$ 77,402,024</u>	<u>\$ -</u>	<u>\$ 1,895,636</u>

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

Debt Service	Capital Projects	Total Governmental Funds
\$ 4,412,132	-	\$ 4,768,568
-	-	119,100,000
-	1,972,457	15,986,384
-	-	455,650,093
-	-	107,728,741
-	-	929,925
-	-	576,984
4,412,132	1,972,457	704,740,695
-	-	6,762,646
-	-	49,382,721
-	-	27,687,396
-	-	225,292,202
-	-	142,065,048
-	-	134,904,890
-	-	52,287,872
-	-	6,773,889
-	-	7,211,720
9,856,392	-	13,578,018
5,888,443	-	6,790,890
-	26,791,121	26,791,121
15,744,835	26,791,121	699,528,413
(11,332,703)	(24,818,664)	5,212,282
-	61,490,498	61,490,498
25,607,011	19,655,676	58,286,742
(14,274,308)	(6,691,524)	(58,286,742)
11,332,703	74,454,650	61,490,498
-	49,635,986	66,702,780
-	(40,133,564)	22,097,302
\$ -	\$ 9,502,422	\$ 88,800,082

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF GOVERNMENTAL
ACTIVITIES
YEAR ENDED JUNE 30, 2010

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

Net change in fund balances -- total governmental funds	\$ 66,702,780
Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are liabilities. Proceeds of state-aid related revenue advances are recorded as revenue, (not as other financing sources for governmental funds) and are recorded as liabilities.	(61,490,498)
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.	18,226,974
The net increase in long-term debt for governmental funds is not recorded as an expenditure in governmental funds.	(29,157,622)
Capital projects expenditures for construction in progress are recorded in governmental funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered assets.	18,592,980
Capital projects expenditures for capital assets and certain equipment and building improvements are recorded in governmental funds as expenditures. Such expenditures are not recorded in the statement of activities because they are recorded as capital assets.	1,385,839
Depreciation is recorded in the statement of activities but not in the statement for governmental funds.	(25,159,718)
Asset disposals are recorded in the statement of activities but not in the statement for governmental funds.	(2,728,254)
Depreciation associated with disposed assets is recorded in the statement of activities but not in the statement for governmental funds.	2,596,988
The net interest on bonds and notes is accrued in the statement of activities but not in the statement for governmental funds.	(938,412)
Changes in net assets of governmental activities	<u><u>\$ (11,968,943)</u></u>

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

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
Assets		
Cash and Cash Equivalents	\$ 1,045,256	\$ 278,703
Accounts Receivable	-	715
Due from Other Funds	2,830,542	533,964
Total Assets	<u>\$ 3,875,798</u>	<u>\$ 813,382</u>
Liabilities and Net Assets		
Accrued Liabilities	\$ 555,843	\$ -
Accounts Payable	-	29,697
Due to Other Funds	-	18
Due to Student Groups	285,622	-
Due to Retirement Systems	3,034,333	-
Total Liabilities	<u>3,875,798</u>	<u>29,715</u>
Net Assets		
Reserved	<u>-</u>	<u>783,667</u>
Total Liabilities and Net Assets	<u>\$ 3,875,798</u>	<u>\$ 813,382</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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trusts
Additions:	
Interest	\$ 3,172
Scholarships	29,184
Gifts and Donations	261,279
Total additions	<u>293,635</u>
Deductions:	
Scholarships	59,293
Gifts and Donations	284,041
Total deductions	<u>343,334</u>
Change in net assets	(49,699)
Net Assets - Beginning of Year	<u>833,366</u>
Net Assets - End of Year	<u><u>\$ 783,667</u></u>

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of Education of the Rochester City School District (the District) operates the public schools in the City of Rochester, New York (the City). The members of the District's Board are elected by popular vote. The District has no independent power to contract bonded indebtedness or to levy taxes. Although a separately elected Board 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, 2009 to June 30, 2010. Of these financial statements, the statement of net assets 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 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. 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 as an Agency Fund of the District. Separate financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 131 West Broad Street, Rochester, New York 14614.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (statement of net assets and the statement of governmental activities) report information on all the non-fiduciary activities of the District. Interfund activity has been removed from these statements, however, the interfund services provided and used are not eliminated in the process of this consolidation.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The statement of governmental 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.

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 its governmental funds as major funds and therefore these funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

The District considers all of its governmental funds as major funds. 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 State and Federal 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 legally restricted to 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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 District-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 Funds – These funds are custodial in nature and do 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 Funds – These funds are 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.

The District has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements and applicable standards under the Financial Accounting Standards Board (FASB) Codification issued on or before November 30, 1989, unless those standards or pronouncements conflict with or contradict GASB pronouncements.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions. As such, investment income of \$4,412,132 for fiscal year 2009-10, associated with the Capital Projects Fund, was assigned to the Debt Service Fund.

2. Restricted Assets

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

3. Accounts Receivable

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

4. Interfund Transactions

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

5. Inventories

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

At the inception of the contract during fiscal 2009-10, Aramark Educational Services, LLC, a Food Service Management Company, took possession of \$301,292 of inventory (excluding government commodities). Upon termination of the Aramark contract, Aramark shall return mutually agreed upon inventory of this same value to the District. To the extent that the inventory on-hand at the termination of the contract is more or less than \$301,292, the appropriate adjustment shall be reflected on the final invoice.

6. Capital Assets

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

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

7. Prepayments and Deposits

The District has prepaid certain General Fund expenditures in the amount of \$39,550 at June 30, 2010. The majority of this amount is associated with reservations paid in June for travel occurring during the month of July. These prepayments will be recorded as expenditures during fiscal year 2010-11. The District also recorded \$341,678 as refundable deposits which were paid to 3rd party administrators to fund any potential shortages for weekly payments of various health and dental claims.

8. Compensated Absences

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

9. Deferred Revenues

The District received cash in advance of expenditures for Special Aid Fund projects in the amount of \$1,376,209 during fiscal year 2009-10, and has recorded it as deferred revenue. These funds represent receipts for various grants that were not fully spent at June 30, 2010. As the funds are spent during fiscal year 2010-11, 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 may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

Consistent with GASB Statement 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

11. Other Benefits

District employees participate in New York State Teachers' Retirement System and the New York State Employees' Retirement System.

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

12. Post-Employment Benefits

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

13. Long-term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums, if any, would be deposited in the debt service fund and used to retire debt in the respective fund. The bond issuance costs are recorded by the City, the reporting entity which issues debt for the District.

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

14. Fund Equity

Government-wide statements

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

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net assets - reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District does not currently have net assets reported in their government-wide statements that meet the definition of restricted net assets.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Fund Statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent years' budget. The undesignated portion reports remaining fund balance that has not been designated or reserved. Designations of fund balance represent tentative management plans that are, however, subject to change.

E. 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.

F. New Accounting Principles

Effective with this financial report for the fiscal year ended June 30, 2010, the District has adopted the following Statement of the Governmental Accounting Standards Board (GASB):

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets such as patents, trademarks, and computer software to reduce reporting inconsistencies. For more information on the impacts of this Statement, refer to note IV. C. of this report.

G. Recent Accounting Pronouncements

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides guidance to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The new standards also clarify the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or "rainy-day" amounts should be reported. The requirements of GASB Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements By Agent Employers and Agent Multiple-Employer Plans*. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. This Statement amends GASB Statement Nos. 43 and 45. GASB Statement No. 57 enables certain agent employers to use the alternative measurement method, a less complex and potentially less expensive alternative to a full actuarial valuation. It also adjusts the requirement that a defined benefit OPEB plan obtain an actuarial valuation, in light of the change allowing more qualifying employers to use the alternative measurement method and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

their participating employers. GASB Statement No. 57 is effective for financial statements for periods beginning after June 15, 2011.

II. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the District-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the District-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$351,225,490) difference are as follows:

Bonds payable	\$ (170,516,175)
Compensated absences	(2,377,927)
Other post-employment benefits	(115,916,399)
Contractual obligations	(16,657,111)
Due to other governments	(25,182,429)
Claims payable	(20,575,449)
	<u>\$ (351,225,490)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the District-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 assets of governmental activities as reported in the District-wide statement of governmental activities.

One element of that reconciliation states that “Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are liabilities.” Details of this (\$61,490,498) difference are as follows:

Installment purchase contract proceeds	\$ 1,310,549
Bond proceeds	<u>60,179,949</u>
	<u>\$ 61,490,498</u>

Another element of that reconciliation states that “Debt service principal is recorded as an expenditure for the governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.” Details of this \$18,226,974 difference are as follows:

Bond principal payments	\$ 12,623,232
Contractual obligation principal payments	<u>5,603,742</u>
	<u>\$ 18,226,974</u>

ROCHESTER CITY SCHOOL DISTRICT
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Another element of that reconciliation states that “Net increase in long-term debt for governmental funds is not recorded as an expenditure in governmental funds.” Details of this (\$29,157,622) difference are as follows:

Claims payable	\$ 929,415
Other post-employment benefits	28,072,927
Compensated absences	<u>155,280</u>
	<u>\$ 29,157,622</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgeting Policy

The budget of the District allocates resources to meet the District’s commitment to educational excellence for all students. The budget period for fiscal year 2009-10 began on July 1, 2009 and ended on June 30, 2010. By City Charter, the Board of Education must submit a balanced budget to the Mayor and City Council for approval. The budget, which includes the General, Special Aid, Debt Service, and School Food Service Funds, is prepared on a modified accrual, non-GAAP budget basis and is the only legally adopted annual budget of the District. The reason the budget is prepared on a non-GAAP budget basis is the inclusion of encumbrances as expenditures. Reconciliation of non-GAAP basis budget and actual financial figures is presented in the individual Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for General, Debt Service, and School Food Service Fund Types, non-GAAP Budget Basis.

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

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

Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund’s unreserved 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 (\$16,628,520) for the General Fund and \$275,522 for the School Food Service Fund.

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

IV. DETAIL NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

As established by charter, the City Treasurer is delegated the authority to establish and control uniform cash management policies that apply to the City and the School District. Thus, the following risk assessments apply to cash, cash equivalents, and investments of both the City and the School 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 \$285,622 within the Agency fund restricted for extraclassroom activities, \$21,654,129 in the Capital Projects fund for unexpended BAN and bond proceeds and \$278,703 and \$533,964 in the Private Purpose Trust fund and General Fund, respectively, restricted for scholarships and awards.

Investment and Deposit Policy

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

Interest Rate Risk –

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

Credit Risk –

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

Custodial Credit Risk-

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

ROCHESTER CITY SCHOOL DISTRICT
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Concentration of Credit Risk-

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

1. Deposits

At year end, the District's deposits were \$24,875,134. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

2. Cash Equivalents

At year-end, the District had cash equivalents of \$101,022,362. The fair value of money market accounts was \$97,022,377 and the fair value of repurchase agreements was \$3,999,985. Cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

3. Investments

At year-end, the District had no investments.

B. Receivables

As of year ended June 30, 2010 the accounts receivable for the District's individual major funds are as follows:

<u>General</u>	<u>Special Aid</u>	<u>School Food</u> <u>Service</u>	<u>Total</u>
\$866,439	\$547,753	\$429,523	\$1,843,715

The General fund receivable primarily represents facilities rental, an accrual from BOCES for tuition and nursing services rate adjustments and union release time due the District from the Rochester Teachers Association. The Special Aid receivable represents accrued revenues for locally funded grants. The School Food Service receivable primarily represents money due from the food service management company for inventories purchased from the District.

ROCHESTER CITY SCHOOL DISTRICT
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C. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,168,786	\$ 270,282	\$ -	\$ 17,439,068
Construction in progress	50,179,520	18,592,980	60,545,583	8,226,917
Total capital assets not being depreciated	<u>67,348,306</u>	<u>18,863,262</u>	<u>60,545,583</u>	<u>25,665,985</u>
Capital assets being depreciated:				
Buildings & Improvements	\$ 515,372,274	\$ 56,415,239	\$ 51,729	\$ 571,735,784
Equipment & Other	47,181,123	5,245,901	2,676,525	49,750,499
Total capital assets being depreciated	<u>562,553,397</u>	<u>61,661,140</u>	<u>2,728,254</u>	<u>621,486,283</u>
Less accumulated depreciation for:				
Buildings & Improvements	(182,137,530)	(18,500,420)	(48,283)	(200,589,667)
Equipment & Other	(27,893,800)	(6,659,298)	(2,548,705)	(32,004,393)
Total accumulated depreciation	<u>(210,031,330)</u>	<u>(25,159,718)</u>	<u>(2,596,988)</u>	<u>(232,594,060)</u>
Total capital assets being depreciated, net	<u>352,522,067</u>	<u>36,501,422</u>	<u>131,266</u>	<u>388,892,223</u>
District capital assets, net	<u>\$ 419,870,373</u>	<u>\$ 55,364,684</u>	<u>\$ 60,676,849</u>	<u>\$ 414,558,208</u>

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

Instructional teaching regular school	\$ 18,563,345
General support central services	5,849,712
Pupil transportation	652,475
Community services	94,186
	<u>\$ 25,159,718</u>

Significant Construction Commitments

In 2009-10, the District expended \$19,978,819 on capital assets. This disbursement was for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$134 million will be disbursed by the District on capital asset items during the next five fiscal years.

ROCHESTER CITY SCHOOL DISTRICT
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Asset Impairment and Insurance Recoveries

During the fiscal year 2009-10, the District had no material asset impairments or insurance recoveries.

Accounting and Financial Reporting for Intangible Assets

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

D. Interfund Receivables, Payables, and Transfers

The interfund receivables and payables primarily result from using a consolidated cash account and processing reimbursements. These interfund receivables and payables are short-term and are typically repaid in less than one year. The following schedules summarize interfund receivables, payables and transfers at June 30, 2010.

Fund	Interfund Receivable	Interfund Payable
General	\$ 26,255,254	\$ 19,775,461
Special Revenue:		
Special Aid	417,246	26,388,783
School Food Services	1,341,839	-
Capital Projects	14,785,417	-
Private Purpose Trusts	533,964	18
Agency	2,830,542	-
Total	<u>\$ 46,164,262</u>	<u>\$ 46,164,262</u>

ROCHESTER CITY SCHOOL DISTRICT
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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.

Transfer Out:	Transfer In:				
	General Fund	Debt Service Fund	Capital Fund	Special Aid Fund	Total
General Fund	\$ -	\$ 25,607,011	\$ 9,793,500	\$ 1,920,399	\$ 37,320,910
Debt Service Fund	4,412,132	-	9,862,176	-	14,274,308
Capital Fund	6,691,524	-	-	-	6,691,524
Total	<u>\$ 11,103,656</u>	<u>\$ 25,607,011</u>	<u>\$ 19,655,676</u>	<u>\$ 1,920,399</u>	<u>\$ 58,286,742</u>

E. Due from Other Governments

	General Fund	Special Aid Fund	School Food Service Fund	Capital Fund	Total
Local Governments	\$ 5,549,239	\$ 1,228,748	\$ -	\$ 57,282	\$ 6,835,269
New York State	14,702,847	18,309,684	213,270	-	33,225,801
Federal Government	8,723,646	16,143,394	1,221,879	-	26,088,919
Total	<u>\$ 28,975,732</u>	<u>\$ 35,681,826</u>	<u>\$ 1,435,149</u>	<u>\$ 57,282</u>	<u>\$ 66,149,989</u>

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 2009-10 for operating leases was approximately \$95,000 and \$3.0 million, respectively.

The following is a schedule of the approximate total future minimum rental commitments required under operating leases as of June 30, 2010:

Fiscal Year	Receipts	Payments
2010-11	\$ 7,889	\$ 2,349,852
2011-12	8,678	2,066,878
2012-13	-	1,218,198
2013-14	-	1,061,290
2014-15	-	925,000
	<u>\$ 16,567</u>	<u>\$ 7,621,218</u>

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

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2010:

	Balance June 30, 2009	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,222,647	\$ 6,753,595	\$ 6,598,315	\$ 2,377,927	\$ 2,377,927
Claims Payable	19,646,034	7,053,263	6,123,848	20,575,449	5,201,518
Other Post Employment Benefits	87,843,472	41,746,291	13,673,364	115,916,399	-
Due To Other Governments:					
New York State Municipal Bond Bank Agency	1,485,426	-	1,485,426	-	-
New York State Education Department	10,644,703	-	2,128,941	8,515,762	2,128,941
New York State Special Purpose Bond 2003	5,423,477	-	1,281,413	4,142,064	1,321,012
New York State Advance	17,333,333	-	666,666	16,666,667	666,667
Installment Purchase Debt	18,154,697	1,310,549	2,808,135	16,657,111	2,468,598
General Obligation Bonds -					
Serial Bonds	116,050,555	60,179,949	9,856,393	166,374,111	13,884,842
Long-term Liabilities	<u>\$ 278,804,344</u>	<u>\$ 117,043,647</u>	<u>\$ 44,622,501</u>	<u>\$ 351,225,490</u>	<u>\$ 28,049,505</u>
Capital Projects Fund:					
Bond Anticipation Notes	<u>\$ 83,014,725</u>	<u>\$ 13,110,000</u>	<u>\$ 70,042,125</u>	<u>\$ 26,082,600</u>	<u>\$ 26,082,600</u>

Compensated absences paid in fiscal year 2009-10 totaled approximately \$6.6 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2008-09. The new issues / additions reflect the new long-term liability at June 30, 2010. The General Fund is typically used to liquidate this liability.

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

	Workers' Compensation
Estimated claims June 30, 2008	\$ 18,142,845
Additions 2008-09	5,383,144
Payments 2008-09	<u>4,117,755</u>
Estimated claims June 30, 2009	<u>19,408,234</u>
Additions 2009-10	5,130,162
Payments 2009-10	<u>4,000,947</u>
Estimated claims June 30, 2010	<u><u>\$ 20,537,449</u></u>

ROCHESTER CITY SCHOOL DISTRICT
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Due to Other Governments includes 2 debt instruments due to the New York State Municipal Bond Bank Agency (MBBA) and 2 debt instruments due to the New York State Education Department (SED). Each of these liabilities is explained below.

In fiscal year 1991-92, permanent financing of \$34,650,000 was arranged through the New York State Municipal Bond Bank Agency (MBBA) with the issuance of 20-year Special Program Revenue Bonds, which were used to repay the State for taxpayer refunds resulting from the City taxing in excess of its Constitutional tax limit from 1975 to 1978. In fiscal year 1998-99, these MBBA bonds were refinanced under lower interest rates for the same term, which is through March 2011. These bonds, which are collateralized by annual payments of the City pursuant to an agreement between MBBA and the City, are not debt of the State or the City, but rather of the MBBA. As of June 30, 2010, the principal balance outstanding is \$0 net of a refundable deposit of approximately \$878,350 that will be returned to the District during fiscal 2010-11. In fiscal 2009-10, the District paid \$123,396 for interest on MBBA borrowings for this particular bond, net of management fees and escrow credits.

At the end of fiscal year 2002-03, the MBBA issued a 10-year Special Purpose Revenue Bond in the amount of \$12,209,961 to the District. The Special Purpose Revenue Bond was offered by the State Education Department, and was based on estimated refunds/prior year adjustment state aid credits that would be owed by the State to the District. The District paid for bonding costs, and opted to receive this money in advance. In 2009-10, the District paid \$171,062 in interest on MBBA borrowings for this bond. Annual principal and interest payments associated with this bond will be approximately \$1,480,000 per year through fiscal year 2012-13.

At the end of the fiscal year 2004-05, the State Education Department (SED) issued an advance of lottery revenues in the amount of \$20,000,000. This money represents an advance in state aid and will be repaid over 30 years, at 0% interest. These repayments began in 2005-06 and are recorded as annual deductions to state aid/revenue.

As a result of a routine SED comprehensive audit in January 2001, it was determined that the District owed the SED net \$12,773,644 for disallowances of grant expenditures associated with fiscal years 1997-98 through 1999-00. The payments to the SED are scheduled to be made interest free in 6 equal, annual installments. The first payment of \$2,128,941 was made during fiscal year 2007-08, the 2008-09 payment was deferred and the second payment was made during 2009-10.

The District has various installment purchase agreements with Xerox Corporation for purchasing copiers and printers. Generally, the terms of these agreements are of a 60 month duration or until the equipment is no longer in service, whichever is sooner. In 2003-04 and 2004-05 the District implemented the Energy Performance Contracts (EPC) – Phases 1 and 2, respectively. The EPC installment purchase agreement allows the District to enjoy an energy cost savings of approximately \$850,000 per year. Annual principal and interest payments for all future installment purchase agreements outstanding as of June 30, 2010 total approximately \$19.4 million. These agreements will be fully satisfied in fiscal 2018/19.

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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 the New York State Local Finance Law. The interest rate on serial bond debt ranges from 2.75% to 5.25%, with maturity dates through fiscal year 2026-27. The District had no authorized but unissued general obligation bonds as of June 30, 2010. The Debt Contracting Margin of the District as of June 30, 2010 was \$13,515,798.

As a result of the federal stimulus legislation that was passed by the Obama Administration in early 2009, a new type of debt instrument called the Build America Bond (BAB) was issued. These bonds offer municipalities a 35% federal subsidy on interest payments on those BABs that are taxable. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000. The District will receive its first subsidy of \$20,240 in August 2010.

During fiscal 2002-03 the City financed \$30,295,000 through the Dormitory Authority of the State of New York to advance refund \$29,875,900 of general obligation bonds, now considered defeased, and \$419,100 of associated issuing costs. This was done to restructure District debt service payments to more closely match New York state reimbursement levels for building aid, which are paid out over a more extended timeframe. Based on a present value analysis, the school district had a \$977,900 economic loss resulting from extending the term of the debt. The proceeds from this refunding issue are held in an irrevocable trust on behalf of the original bondholders, thus eliminating the liability for refinanced bonds. The indebtedness to the Dormitory Authority is secured with the assignment and pledge of state education aid.

The District paid no arbitrage to the Federal Government during 2009-10. 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. Long-term debt service requirements for principal and interest as of June 30, 2010 are being recorded in Due to Other Governments (excluding NYS Advance and SED liabilities), Installment Purchase Debt, and Serial Bonds. The following debt service requirements schedule is recorded at gross amounts (000's omitted):

Fiscal Year				
Ending				
June 30	Principal	Interest	Total	
2011	\$ 17,674	\$ 8,262	\$ 25,936	
2012	17,772	7,193	24,965	
2013	17,196	6,531	23,727	
2014	15,319	5,853	21,172	
2015	15,196	5,196	20,392	
2016-2020	69,697	16,231	85,928	
2021-2025	33,615	3,368	36,983	
2026-2030	705	20	725	
	<u>\$ 187,174</u>	<u>\$ 52,654</u>	<u>\$ 239,828</u>	

ROCHESTER CITY SCHOOL DISTRICT
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H. Bond Anticipation Notes

Bond Anticipation Notes (BANs) with rates of 1.5% or 2.75% issued during fiscal 2009-10, have maturities which extend through February 2011. The District had \$26,082,600 of BANs outstanding at June 30, 2010. 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.

V. OTHER INFORMATION

A. Risk Financing

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

Aggregate Limit	\$ 20,000,000
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. These programs are administered by the Department of Employee Benefits. The District maintains a policy of either full or partial self-insurance for workers' compensation, major medical claims, student accidents, and a medical reimbursement account. These programs are administered by third party administrators.

The schedule below presents the calculation of the District's estimated claims at June 30, 2010 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The estimated claims for the other self-insured programs represent an amount based on prior experience with actual payments of claims.

	Workers'	Major	Student	Medical	
	Compensation	Medical	Accident	Reimbursement	Total
				Account	
Estimated claims July 1, 2008	\$ 4,690,602	\$ 384,400	\$ 9,100	\$ -	\$ 5,084,102
Claims incurred 2008-09	4,926,808	2,649,100	66,686	987,278	8,629,872
Payments 2008-09	4,117,755	2,815,700	55,786	987,278	7,976,519
Estimated claims June 30, 2009	<u>\$ 5,499,655</u>	<u>\$ 217,800</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 5,737,455</u>
Estimated claims July 1, 2009	\$ 5,499,655	\$ 217,800	\$ 20,000	\$ -	\$ 5,737,455
Claims incurred 2009-10	3,664,810	1,240,443	72,583	610,075	5,587,911
Payments 2009-10	4,000,947	1,451,243	61,583	610,075	6,123,848
Estimated claims June 30, 2010	<u>\$ 5,163,518</u>	<u>\$ 7,000</u>	<u>\$ 31,000</u>	<u>\$ -</u>	<u>\$ 5,201,518</u>

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

The District uses the general fund to account for its current risk financing activities. A current liability of \$5,163,518 and a non-current liability of \$15,373,931 for estimated future claims for the self-insured workers' compensation program have been recorded on the statement of net assets.

The District has been self-insured since 1978 for workers' compensation. The District does not purchase "stop loss" insurance for this, so it is at full risk for all claim payments. However, the District has established a designation of \$10,268,724 of its fund balance for this purpose, which represents approximately half of the estimated total claims liability. The District has been self-insured since 1982 for major medical insurance, but purchases "stop loss" insurance to mitigate the District's risk exposure.

The medical reimbursement account is another self-funded, section 105 plan, which reimburses active employees who are enrolled in an HMO for increases in co-pays that occurred as a result of changing HMO plans effective January 1, 2002. Effective January 1, 2010, the District changed HMO plans once again in an effort to contain the rapidly rising costs of healthcare. As a result of this change, the medical reimbursement account will be phased out, with final retro-active claim reimbursements being paid during fiscal 2010-11.

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

B. Employee Retirement Systems

1. New York State Teachers' Retirement System

Plan Description

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

Funding Policy

Plan members who joined the TRS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 10, 2010 are required to contribute three and a half percent of their annual salary throughout their active membership.

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Employers are required to contribute at an actuarially determined rate, currently 6.19% of annual covered payroll for the fiscal year ended June 30, 2010. Rates applicable to the fiscal years ended June 30, 2009 and 2008 were, respectively, 7.63% and 8.73%. The District's required contributions paid to the TRS during the following fiscal years ended June 30 were 100 percent of the contributions required:

Fiscal Year	Contributions
2009-10	\$20,105,226
2008-09	21,437,247
2007-08	19,946,029

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for the TRS.

2. New York State and Local Employees' Retirement System

Plan Description

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

Funding Policy

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

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Fiscal Year	Contributions
2009-10	\$4,996,727
2008-09	5,094,288
2007-08	5,489,491

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The District's contributions made to the ERS were equal to 100 percent of the contributions required for each year. As part of the 2009-10 contributions, \$681,578 was related to prior year adjustments.

3. Pension Liability as of June 30, 2010

Fund Group	Employee's Retirement System	Teachers' Retirement System	Total Retirement System
General	\$ 1,563,446	\$ 14,028,871	\$ 15,592,317
Special Aid	106,441	2,362,741	2,469,182
School Food Service	160,669	-	160,669
Capital Projects	31,454	2,364	33,818
Agency	171,555	2,862,778	3,034,333
Total	<u>\$ 2,033,565</u>	<u>\$ 19,256,754</u>	<u>\$ 21,290,319</u>

4. Payroll

The total payroll for all employees of the District for the fiscal year 2009-10 was \$352,505,315 of which \$67,467,281 represented payroll costs for employees covered by the ERS, \$266,599,128 by the TRS, and \$18,438,906 nonparticipating employees. All full-time teachers are mandatory members.

Required contributions made in 2009-10 and Percentage of Covered Payrolls for the Billing Period for the Systems were as follows:

	Employees' Retirement System	% of Covered Payroll	Teachers' Retirement System	% of Covered Payroll	Total	% of Covered Payroll
Employer	\$4,996,727	7.4	\$20,105,226	7.5	\$25,101,953	7.5
Employees	<u>2,051,956</u>	<u>3.0</u>	<u>3,222,092</u>	<u>1.2</u>	<u>5,274,048</u>	<u>1.6</u>
Total	<u>\$7,048,683</u>	<u>10.4</u>	<u>\$23,327,318</u>	<u>8.7</u>	<u>\$30,376,001</u>	<u>9.1</u>

C. Post-Employment Health Care Benefits

Plan Description

The Rochester City School District maintains a single-employer, post-retirement health care plan administered by Excellus. A publicly available financial report that includes financial statements and required supplementary information may be obtained by writing to Excellus Blue Cross Blue Shield of Rochester, 344 South Warren Street, PO Box 4809, Syracuse, NY 13221.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Funding Policy

The District, per its contracts with employee units, will pay the full premium costs for the basic health and hospitalization coverage (currently provided by Excellus Blue Cross/Blue Shield of the Rochester Area) for an employee of the District at retirement, provided the employee has at least ten consecutive years of continuous employment with the District prior to the date of retirement. These contracts will be renegotiated at various times in the future. The retiree, however, assumes the full premium for the major medical plan.

If the retiree chooses to enroll in an alternate Health Maintenance Organization (HMO) or the Exclusive Provider Organization (EPO) plan, the District contributes the equivalent dollar value of a basic Blue Cross and Blue Shield plan toward the HMO/EPO premium. The retiree pays the difference between the District contribution and the actual HMO/EPO premium. Upon eligibility for Medicare, the District's contribution towards health insurance will be adjusted to match the appropriate Medicare Supplemental Plan premiums.

The District finances its post-employment health care benefit on a pay-as-you-go basis. The expenditure recognized at June 30, 2010 for this purpose was \$13,673,364. The number of participants enrolled in the District's retirees' health insurance group was 3,555 retirees.

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's components of the annual OPEB cost for the fiscal year 2009-10, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$43,312,549
Interest on net OPEB obligation	3,513,739
Adjustment to annual required contribution	<u>(5,079,997)</u>
Annual OPEB cost (expense)	41,746,291
Contributions made	<u>(13,673,364)</u>
Increase in net OPEB obligation	28,072,927
Net OPEB obligation – July 1, 2009	<u>87,843,472</u>
Net OPEB obligation – July 1, 2010	<u>\$115,916,399</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009-10 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
06/30/10	\$41,746,291	32.8	115,916,399
06/30/09	40,169,055	28.4	87,843,472
06/30/08	30,486,490	35.1	59,068,798

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Funded Status and Funding Progress

As of the most recent valuation date of May 1, 2010, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$383 million. As previously mentioned, the District's postretirement medical plan's benefits are funded on a pay-as-you-go basis (a cash basis as benefits are paid). No assets have been segregated and restricted to provide post-retirement benefits. The District has, however, opted to set aside unreserved, designated funds in the amount of \$13,500,765 for future OPEB costs as of June 30, 2010. Because these funds are not part of the reserved fund balance, they are not an indication of plan funding.

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

Actuarial Methods and Assumptions

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

Liabilities were computed using the projected unit credit method and are amortized on a level dollar open basis using a 30 year amortization period. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the District's general assets which are short-term in nature (such as money market funds) were considered in the selection of the 4% rate. The valuation assumes an 8.1% healthcare cost trend increase for 2011, with gradual reductions to a rate of 4.5% in 2028 and future years.

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 2009-10, MRA claims totaling \$35,169 were paid by the District for 40 qualified participants.

D. 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 has been recognized and reported in the financial statements in the amount of \$2.3 million relative to 16 separate cases which were pending as of June 30, 2010.

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, 2010, the District has reserved and encumbered approximately \$413,000 in asbestos abatement and air monitoring related contracts for active renovation projects. The District also recorded an additional \$77,000 for expenses incurred during June and July of 2010 for work completed which was outside the scope of the existing contracts. These services were paid for in August, 2010. No more financial obligations associated with this work remains. The District has evaluated and determined that there are no other specific pollution remediation obligations as of June 30, 2010.

E. Calculation of Investment in Capital Assets, Net of Related Debt

Capital assets		\$647,152,268
Less: Depreciation	\$232,594,060	
Related outstanding debt	<u>187,459,693</u>	
Invested in Capital Assets, Net of Related Debt		<u>\$227,098,515</u>

The related outstanding debt comprises the following:

Bonds payable	\$166,374,111
Bond anticipation notes	26,082,600
Installment purchase debt	<u>16,657,111</u>
	209,113,822
Less: Unspent proceeds	<u>< 21,654,129 ></u>
	<u>\$187,459,693</u>

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Schedule of Funding Progress at June 30, 2010

Actuarial accrued liability	\$383,027,060
Actuarial value of assets	-
Unfunded actuarial accrued liability	<u>\$383,027,060</u>
Funded Ratio	0%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Employer Contribution</u>
6/30/2010	\$ 13,673,364
6/30/2009	\$ 11,394,381
6/30/2008	\$ 10,694,599

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, 2010

General Fund				
	Budgeted Amounts			
	Original	Final		Variance With
REVENUES	Budget	Budget	Actual	Final Budget
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 1,350,000	\$ 400,000	\$ 356,436	\$ (43,564)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	6,548,484	9,630,339	11,182,105	1,551,766
State Sources	446,915,132	429,847,539	427,669,125	(2,178,414)
Federal Sources	2,000,000	21,093,734	22,035,316	941,582
Total Revenues	<u>575,913,616</u>	<u>580,071,612</u>	<u>580,342,982</u>	<u>271,370</u>
EXPENDITURES				
Current:				
General Support:				
Staff	5,464,137	5,832,553	5,387,918	444,635
Central Services	43,383,625	44,021,010	41,242,985	2,778,025
Other	12,043,403	12,909,175	12,817,913	91,262
Instructional				
Teaching -- Regular School	149,349,266	148,514,354	144,951,393	3,562,961
Special Apportionment Programs	98,344,729	100,120,843	96,299,150	3,821,693
Other	72,528,956	72,149,307	71,322,963	826,344
Pupil Transportation	47,100,763	50,760,089	48,715,691	2,044,398
Community Services	1,474,888	1,629,384	1,338,285	291,099
Employee Benefits				
Retirement	20,156,493	18,689,083	18,682,543	6,540
Social Security	23,682,246	22,008,246	21,986,046	22,200
Health Insurance	58,642,749	59,127,133	58,378,762	748,371
Workers' Compensation	6,580,601	4,808,411	4,686,907	121,504
Other	6,773,454	6,867,417	6,400,163	467,254
Debt Service	4,596,472	4,646,940	4,624,073	22,867
Total Expenditures	<u>550,121,782</u>	<u>552,083,945</u>	<u>536,834,792</u>	<u>15,249,153</u>
Excess of Revenues Over Expenditures	<u>25,791,834</u>	<u>27,987,667</u>	<u>43,508,190</u>	<u>15,520,523</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	525,000	6,991,524	11,103,656	4,112,132
Operating Transfers Out	(28,445,775)	(37,320,737)	(37,320,910)	(173)
Total Other Financing Sources (Uses)	<u>(27,920,775)</u>	<u>(30,329,213)</u>	<u>(26,217,254)</u>	<u>4,111,959</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	<u>\$ (2,128,941)</u>	<u>\$ (2,341,546)</u>	17,290,936	<u>\$ 19,632,482</u>
Encumbrances Included in Actual			436,590	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			17,727,526	
Expenditure of Prior Years' Encumbrances			(548,270)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			17,179,256	
Fund Balance -- Beginning of Year			60,222,768	
Fund Balance -- End of Year			\$ 77,402,024	

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2010

School Food Service Fund				
Budgeted Amounts				
REVENUES	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Local Sources:				
Other	\$ 1,367,170	\$ 1,032,158	\$ 1,032,158	\$ -
State Sources	658,130	516,992	516,992	-
Federal Sources	14,700,450	14,851,749	14,851,749	-
Total Revenues	16,725,750	16,400,899	16,400,899	-
EXPENDITURES				
Current:				
General Support:				
Other	14,475,000	14,189,070	14,188,955	115
Employee Benefits				
Retirement	582,400	476,044	476,043	1
Social Security	385,000	417,322	417,322	-
Health Insurance	1,282,500	1,362,338	1,362,337	1
Workers' Compensation	60,100	64,673	64,673	-
Other	4,000	4,031	4,031	-
Total Expenditures	16,789,000	16,513,478	16,513,361	117
Deficiency of Revenues Over Expenditures	(63,250)	(112,579)	(112,462)	117
Appropriation of Prior Year Fund Balance	63,250	112,579		(112,579)
Deficiency of Revenues				
Over Expenditures Budget Basis	\$ -	\$ -	(112,462)	\$ (112,462)
Fund Balance -- Beginning of Year			2,008,098	
Fund Balance -- End of Year			\$ 1,895,636	

SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES

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ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2010
(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	\$ 1,350,000	\$ 400,000	\$ 356,436	\$ (43,564)
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,425,000	1,425,000	1,636,777	211,777
Forfeitures	2,000	2,000	-	(2,000)
Miscellaneous	5,121,484	8,203,339	9,545,328	1,341,989
State Sources	446,915,132	429,847,539	427,669,125	(2,178,414)
Federal Sources	2,000,000	21,093,734	22,035,316	941,582
	<u>575,913,616</u>	<u>580,071,612</u>	<u>580,342,982</u>	<u>271,370</u>
Total Revenues				
	<u>575,913,616</u>	<u>580,071,612</u>	<u>580,342,982</u>	<u>271,370</u>
Other Sources				
Transfers in	525,000	6,991,524	11,103,656	4,112,132
	<u>525,000</u>	<u>6,991,524</u>	<u>11,103,656</u>	<u>4,112,132</u>
Total Revenues and Other Sources	<u>\$ 576,438,616</u>	<u>\$ 587,063,136</u>	<u>\$ 591,446,638</u>	<u>\$ 4,383,502</u>

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2010 (continued next page)

Expenditures	Original Budget	Final Budget
General Support:		
Staff	\$ 5,464,137	\$ 5,832,553
Central Services	43,383,625	44,021,010
Board of Education	577,126	554,462
Central Administration	1,422,374	2,085,678
Finance	5,011,978	5,024,540
Other	5,031,925	2,144,495
Instructional		
Teaching - Regular School	149,349,266	148,514,354
Programs for Children with Handicapping Conditions	91,393,484	93,549,335
Occupational Education	6,951,245	6,571,508
Instruction, Administration and Improvement	45,848,929	46,234,627
Teaching - Special Schools	4,472,371	4,816,588
Instructional Media	4,390,380	5,570,337
Pupil Services	17,817,276	18,627,755
Pupil Transportation	47,100,763	50,760,089
Community Services	1,474,888	1,629,384
Employee Benefits:		
Retirement	20,156,493	18,689,083
Social Security	23,682,246	22,008,246
Health Insurance	58,642,749	59,127,133
Workers' Compensation	6,580,601	4,808,411
Other	6,773,454	6,867,417
Debt Service		
Principal	3,653,156	3,744,293
Interest	943,316	902,647
Total Expenditures	550,121,782	552,083,945
Other Uses		
Transfers Out	28,445,775	37,320,737
Total Expenditures and Other Uses	578,567,557	589,404,682
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ (2,128,941)	\$ (2,341,546)

<u>Current Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balance</u>
\$ 5,387,918	\$ -	\$ 444,635
41,222,630	20,355	2,778,025
495,697	-	58,765
1,983,572	-	102,106
4,352,233	23,000	649,307
5,963,411	-	(3,818,916)
		-
144,835,272	116,121	3,562,961
90,006,599	-	3,542,736
6,292,551	-	278,957
44,352,973	189,494	1,692,160
4,100,424	-	716,164
4,929,556	19,261	621,520
17,678,989	52,266	896,500
48,699,598	16,093	2,044,398
1,338,285	-	291,099
		-
18,682,543	-	6,540
21,986,046	-	22,200
58,378,762	-	748,371
4,686,907	-	121,504
6,400,163	-	467,254
		-
3,721,626	-	22,667
902,447	-	200
<hr/>	<hr/>	<hr/>
536,398,202	436,590	15,249,153
<hr/>	<hr/>	<hr/>
37,320,910	-	(173)
<hr/>	<hr/>	<hr/>
573,719,112	\$ 436,590	\$ 15,248,980
<hr/>	<hr/>	<hr/>
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\$ 17,727,526		
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ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) –DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

Debt Service Fund				
	Budgeted Amounts		Actual	Variance with
	Original	Final		
REVENUES	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 525,000	\$ 4,412,132	\$ 4,412,132	\$ -
Total Revenues	<u>525,000</u>	<u>4,412,132</u>	<u>4,412,132</u>	<u>-</u>
EXPENDITURES				
Debt Service	14,366,298	14,366,298	14,366,298	-
Total Expenditures	<u>14,366,298</u>	<u>14,366,298</u>	<u>14,366,298</u>	<u>-</u>
Deficiency of Revenues Over				
Expenditures	<u>(13,841,298)</u>	<u>(9,954,166)</u>	<u>(9,954,166)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	14,366,298	14,366,298	14,366,298	-
Transfers (Out)	(525,000)	(4,412,132)	(4,412,132)	-
Total Other Financing Sources (Uses)	<u>13,841,298</u>	<u>9,954,166</u>	<u>9,954,166</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other				
Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance -- Beginning of Year			<u>-</u>	
Fund Balance -- End of Year			<u>\$ -</u>	

**ROCHESTER CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010**

		Expenditures to Date			
<u>Ordinance Number</u>	<u>Project Title</u>	<u>Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Unexpended Balance</u>
01-038	Facility Capital Improvements	\$ 25,000,500	\$ 25,000,500	\$ -	\$ -
02-023	Facility Capital Improvements	21,479,000	21,479,000	-	-
03-042	Facility Capital Improvements	17,534,642	17,534,642	-	-
04-040	Facility Capital Improvements	17,532,000	17,532,000	-	-
05-015	Facility Capital Improvements	17,296,000	17,296,000	-	-
06-014	Facility Capital Improvements	15,247,000	15,247,000	-	-
06-061	Ryan Center Capital Project	2,027,400	1,488,352	539,048	-
07-020	Facility Capital Improvements	16,351,225	12,395,826	3,899,083	56,317
07-172	Ryan Center Capital Project	22,972,600	16,184,141	5,187,851	1,600,608
07-323	Maple Street Capital Project	3,750,000	91,527	3,658,473	-
08-007	Facility Capital Improvements	12,155,500	10,307,041	454,841	1,393,618
08-404	Facility Capital Improvements	12,958,000	193,069	5,641,503	7,123,427
10-009	Facility Capital Improvements	13,110,000	-	146,744	12,963,256
97-059	Facility Capital Improvements	21,295,000	21,295,000	-	-
97-349	Facility Capital Improvements	12,200,000	12,200,000	-	-
98-027	Facility Capital Improvements	8,922,000	8,922,000	-	-
99-028	Facility Capital Improvements	18,863,000	18,863,000	-	-
99-534	Facility Capital Improvements	22,295,000	22,295,000	-	-
	Accrued Capital Improvements	-	744,086	796,293	(1,540,379)
	City Rec Center/Other Projects	7,259,211	7,139,377	62,551	57,282
	Cash - Capital Improvements	200,759,676	173,732,524	13,096,258	13,930,893
	Totals	\$ 489,007,754	\$ 419,940,086	\$ 33,482,645	\$ 35,585,022

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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 80-86) - These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 87-90) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ◆ Debt Capacity (Page 91-94) – These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.
- ◆ Demographic and Economic Information (Page 95-96) – These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.
- ◆ Operating Information (Page 97-100) – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

	2001	2002	2003	2004	2005
Governmental activities					
Invested in capital assets, net of related debt	\$ 88,206,852	\$ 188,474,420	\$ 204,853,752	\$ 210,731,097	\$ 225,824,893
Unrestricted	(106,741,693)	(31,710,177)	(25,838,545)	(6,926,905)	(1,919,237)
Total governmental activities net assets	<u>\$ (18,534,841)</u>	<u>\$ 156,764,243</u>	<u>\$ 179,015,207</u>	<u>\$ 203,804,192</u>	<u>\$ 223,905,656</u>
	2006	2007	2008	2009	2010
Governmental activities					
Invested in capital assets, net of related debt	\$ 235,983,192	\$ 216,602,246	\$ 229,418,070	\$ 231,461,078	\$ 227,098,515
Unrestricted	(18,403,117)	(10,146,254)	(54,652,221)	(70,682,248)	(78,288,628)
Total governmental activities net assets	<u>\$ 217,580,075</u>	<u>\$ 206,455,992</u>	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>

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

(continued next page)

	2001	2002	2003	2004
Expenses				
General Support:				
Board of Education	\$ 341,055	\$ 307,643	\$ 420,632	\$ 353,686
Chief School Administrator	882,382	1,157,853	1,392,919	1,399,391
Finance	2,998,717	2,596,854	3,439,167	4,487,893
Staff	6,224,816	4,763,101	5,956,596	6,314,915
Central Services	57,084,336	52,227,684	55,271,165	52,429,234
Other	23,755,282	27,325,676	16,896,660	7,117,052
Total General Support	<u>91,286,588</u>	<u>88,378,811</u>	<u>83,377,139</u>	<u>72,102,171</u>
Instruction:				
Administration and Improvement	42,372,773	41,354,592	40,909,685	48,765,261
Teaching	312,681,768	306,539,240	307,983,751	312,745,073
Instructional Media	8,025,602	5,972,425	6,344,735	7,290,599
Pupil Services	17,462,389	16,021,592	16,492,692	19,482,159
Other	209,845	148,897	114,644	147,151
Total Instruction	<u>380,752,377</u>	<u>370,036,746</u>	<u>371,845,507</u>	<u>388,430,243</u>
Pupil Transportation	39,592,308	39,230,343	42,304,862	40,141,286
Community Services	5,863,279	6,215,115	5,826,098	5,975,033
Interest on Long-Term Debt	8,312,994	7,339,050	5,685,796	6,863,535
Depreciation-Unallocated	4,055,837	6,851,233	7,417,397	6,468,318
Interest Short-Term	-	1,343,732	762,005	617,500
Total Expenditures	<u>529,863,383</u>	<u>519,395,030</u>	<u>517,218,804</u>	<u>520,598,086</u>
Program Revenues				
Charges for Services:				
Central Services	14,802,021	15,655,773	14,953,752	13,961,050
Teaching	1,173,822	1,158,185	936,957	846,679
Operating Grants and Contributions	101,931,719	103,520,801	104,417,854	121,460,205
Capital Grants and Contributions	-	-	1,537,870	-
Total Program Revenues	<u>117,907,562</u>	<u>120,334,759</u>	<u>121,846,433</u>	<u>136,267,934</u>
Net (Expense)/Revenue	<u>(411,955,821)</u>	<u>(399,060,271)</u>	<u>(395,372,371)</u>	<u>(384,330,152)</u>
General Revenues and Other Changes in Net Assets				
Intergovernmental - Unrestricted	127,300,000	127,300,000	126,100,000	126,100,000
Use of Money & Property	2,434,847	2,368,738	1,674,426	1,955,329
Interfund Reimbursements	1,141,233	1,588,008	1,838,858	2,118,112
State Basic Formula Aid	210,535,130	232,568,556	252,232,084	245,003,824
Lottery Aid	24,475,338	27,936,887	33,093,400	33,103,918
Miscellaneous	4,424,894	4,240,447	2,684,567	837,952
Total General Revenues and Other Changes in Net Assets	<u>370,311,442</u>	<u>396,002,636</u>	<u>417,623,335</u>	<u>409,119,135</u>
Change in Net Assets	<u>\$ (41,644,379)</u>	<u>\$ (3,057,635)</u>	<u>\$ 22,250,964</u>	<u>\$ 24,788,983</u>

2005	2006	2007	2008	2009	2010
\$ 314,508	\$ 510,766	\$ 713,240	\$ 685,664	\$ 678,153	\$ 700,462
1,412,019	1,759,223	1,744,079	2,150,794	3,263,226	2,625,789
4,043,141	4,702,380	5,281,980	5,328,334	5,781,686	6,060,425
5,818,293	6,142,232	6,889,084	6,659,097	6,987,989	7,030,907
57,004,185	61,794,979	64,195,225	73,464,586	74,596,293	75,301,682
5,041,851	7,044,988	7,663,524	21,539,394	3,617,425	9,593,834
73,633,997	81,954,568	86,487,132	109,827,869	94,924,772	101,313,099
47,502,458	60,021,443	63,520,800	63,961,427	76,490,377	76,364,476
317,246,258	331,183,625	349,523,934	385,363,331	420,456,795	422,444,062
9,195,842	9,332,398	8,340,253	8,514,516	10,053,812	11,110,860
22,596,376	28,065,827	30,938,342	30,168,305	32,319,277	32,250,202
132,667	142,409	-	-	-	-
396,673,601	428,745,702	452,323,329	488,007,579	539,320,261	542,169,600
43,025,106	46,551,303	53,138,656	54,899,360	60,121,041	55,139,810
5,714,748	5,827,974	5,725,482	7,821,082	7,273,466	6,965,346
516,667	6,208,775	8,264,944	7,918,829	7,855,374	7,729,302
6,954,610	8,145,544	7,982,633	-	-	-
9,689,751	-	-	-	-	-
536,208,480	577,433,866	613,922,176	668,474,719	709,494,914	713,317,157
13,795,167	14,264,883	13,854,118	14,620,109	15,987,282	1,032,158
2,086,176	1,753,777	1,851,229	1,376,696	1,384,364	1,636,777
117,350,776	127,617,343	145,456,653	90,671,547	95,492,259	101,612,225
-	-	-	-	-	-
133,232,119	143,636,003	161,162,000	106,668,352	112,863,905	104,281,160
(402,976,361)	(433,797,863)	(452,760,176)	(561,806,367)	(596,631,009)	(609,035,997)
119,100,000	119,566,784	119,100,000	119,100,000	119,100,000	119,100,000
2,771,426	3,883,000	4,471,842	4,286,033	2,449,722	4,768,568
2,050,308	2,322,847	2,594,188	2,322,353	-	-
235,155,380	261,752,923	275,251,427	350,011,056	385,981,017	408,172,635
62,650,171	38,360,455	38,056,468	48,015,993	55,584,823	56,900,547
1,350,540	1,586,273	2,940,015	4,475,430	19,528,428	8,125,304
423,077,825	427,472,282	442,413,940	528,210,865	582,643,990	597,067,054
\$ 20,101,464	\$ (6,325,581)	\$ (10,346,236)	\$ (33,595,502)	\$ (13,987,019)	\$ (11,968,943)

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

(continued next page)

	2001	2002	2003	2004
General Fund				
Reserved	\$ 3,920,277	\$ 916,398	\$ 3,249,640	\$ 4,059,718
Unreserved	-	558,394	32,830,160	52,286,118
Total General Fund	<u>\$ 3,920,277</u>	<u>\$ 1,474,792</u>	<u>\$ 36,079,800</u>	<u>\$ 56,345,836</u>
All Other Governmental Funds				
Reserved	\$ 20,906,696	\$ 10,036,810	\$ 14,981,733	\$ 19,768,922
Unreserved, Reported In:				
Special Aid Fund	(962,756)	(478,756)	(1,583,396)	(2,166,209)
School Food Service Fund	717,889	1,024,500	1,153,120	1,307,067
Debt Service Fund	1,680,493	1,600,119	2,739,249	2,704,813
Capital Projects Fund	(41,404,539)	(56,136,515)	(65,192,066)	(20,697,030)
Miscellaneous Special Revenue	244,528	240,304	285,340	321,274
Total All Other Governmental Funds	<u>\$ (18,817,689)</u>	<u>\$ (43,713,538)</u>	<u>\$ (47,616,020)</u>	<u>\$ 1,238,837</u>
Total All Governmental Funds	<u>\$ (14,897,412)</u>	<u>\$ (42,238,746)</u>	<u>\$ (11,536,220)</u>	<u>\$ 57,584,673</u>

2005	2006	2007	2008	2009	2010
\$ 5,722,477	\$ 3,491,983	\$ 2,391,594	\$ 1,335,337	\$ 937,331	\$ 436,590
73,550,573	73,660,591	80,401,314	46,508,660	59,285,437	76,965,434
<u>\$ 79,273,050</u>	<u>\$ 77,152,574</u>	<u>\$ 82,792,908</u>	<u>\$ 47,843,997</u>	<u>\$ 60,222,768</u>	<u>\$ 77,402,024</u>
\$ 21,729,065	\$ 13,360,269	\$ 11,085,844	\$ 22,178,079	\$ 16,050,062	\$ 11,551,831
(3,825,692)	-	-	-	-	-
1,159,841	1,476,289	1,299,601	1,140,361	1,559,873	1,436,907
-	-	-	-	-	-
(35,833,998)	(4,860,245)	(22,947,273)	(39,185,033)	(55,735,401)	(1,590,680)
392,054	481,575	525,700	-	-	-
<u>\$ (16,378,730)</u>	<u>\$ 10,457,888</u>	<u>\$ (10,036,128)</u>	<u>\$ (15,866,593)</u>	<u>\$ (38,125,466)</u>	<u>\$ 11,398,058</u>
<u>\$ 62,894,320</u>	<u>\$ 87,610,462</u>	<u>\$ 72,756,780</u>	<u>\$ 31,977,404</u>	<u>\$ 22,097,302</u>	<u>\$ 88,800,082</u>

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

(continued next page)

	2001	2002	2003	2004
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 2,434,847	\$ 2,369,012	\$ 1,674,595	\$ 2,006,029
Intergovernmental	127,300,000	127,300,000	126,100,000	126,100,000
Other	9,108,953	11,508,483	8,171,938	7,705,374
State Sources	290,925,659	310,328,786	359,112,543	328,737,856
Federal Sources	55,199,409	61,553,548	61,457,969	78,854,062
Surplus Food	1,329,738	1,362,618	1,227,994	401,709
Sales	1,920,398	1,914,948	1,724,729	1,582,039
Total Revenues	<u>488,219,004</u>	<u>516,337,395</u>	<u>559,469,768</u>	<u>545,387,069</u>
Expenditures				
General Support:				
Staff	5,784,568	4,763,101	5,956,596	6,120,408
Central Services	38,904,737	36,634,133	40,163,470	40,123,124
Other	19,676,176	25,639,011	25,335,966	20,225,514
Instructional:				
Teaching - Regular School	177,108,237	177,495,349	176,257,961	183,825,345
Special Apportionment Programs	105,296,696	110,765,625	113,049,853	121,017,656
Other	79,324,718	76,023,212	75,487,677	86,920,643
Pupil Transportation	37,875,014	39,110,972	42,191,228	38,817,359
Community Services	5,490,689	6,237,450	5,816,407	5,937,379
Cost of Sales	7,140,894	7,004,641	6,507,086	5,721,367
Debt Service:				
Principal	19,798,707	23,087,708	17,203,619	16,372,654
Interest	7,326,882	8,704,839	6,108,852	7,056,465
Capital Outlay	35,555,552	28,543,110	14,773,057	33,378,839
Total Expenditures	<u>539,282,870</u>	<u>544,009,151</u>	<u>528,851,772</u>	<u>565,516,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,063,866)	(27,671,756)	30,617,996	(20,129,684)
Other Financing Sources (Uses)				
Advance Refunding Bonds	-	-	30,295,000	-
Long-term Debt	37,904,640	389,092	85,543	84,429,211
Transfers In	38,165,353	33,714,749	31,765,799	33,815,039
Transfers Out	(38,165,353)	(33,714,749)	(31,765,799)	(33,815,039)
Payment to Escrow Agent	-	-	(30,295,000)	-
Total Other Financing Sources (Uses)	<u>37,904,640</u>	<u>389,092</u>	<u>85,543</u>	<u>84,429,211</u>
Net Change in Fund Balances	<u>\$(13,159,226)</u>	<u>\$(27,282,664)</u>	<u>\$ 30,703,539</u>	<u>\$ 64,299,527</u>
Debt Service as a Percentage of Noncapital Expenditures	5.69%	6.57%	4.75%	4.61%

2005	2006	2007	2008	2009	2010
\$ 2,854,808	\$ 3,940,018	\$ 4,498,603	\$ 4,380,909	\$ 2,449,722	\$ 4,768,568
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
6,869,870	10,505,226	11,185,487	10,797,977	16,191,725	15,986,384
370,755,400	359,753,979	395,842,611	430,359,330	485,631,182	455,650,093
74,778,884	75,785,223	71,062,237	68,476,550	72,673,518	107,728,741
497,586	590,293	883,363	791,243	925,780	929,925
1,453,397	1,433,546	1,003,639	973,208	911,798	576,984
<u>576,309,945</u>	<u>571,108,285</u>	<u>603,575,940</u>	<u>634,879,217</u>	<u>697,883,725</u>	<u>704,740,695</u>
5,944,450	5,869,560	6,520,235	6,456,990	6,672,969	6,762,646
43,205,701	44,112,304	45,109,819	47,704,150	47,594,354	49,382,721
21,043,155	21,502,409	22,901,927	37,345,461	21,578,298	27,687,396
182,841,073	178,786,025	190,111,522	203,630,068	222,394,714	225,292,202
118,661,828	119,075,942	124,579,887	133,894,191	137,509,226	142,065,048
91,603,365	106,223,360	112,126,140	118,085,930	133,518,980	134,904,890
43,281,664	44,963,493	50,376,123	52,612,309	56,587,073	52,287,872
5,714,431	5,738,203	5,628,977	6,042,832	7,124,911	6,773,889
6,113,966	6,064,727	6,050,396	6,321,146	6,960,822	7,211,720
21,604,395	16,288,306	19,739,667	18,156,921	14,779,453	13,578,018
7,613,274	7,463,175	8,264,944	7,898,563	8,009,606	6,790,890
32,713,402	38,368,247	27,662,076	26,182,381	49,163,770	26,791,121
<u>580,340,704</u>	<u>594,455,751</u>	<u>619,071,713</u>	<u>664,330,942</u>	<u>711,894,176</u>	<u>699,528,413</u>
(4,030,759)	(23,347,466)	(15,495,773)	(29,451,725)	(14,010,451)	5,212,282
-	-	-	-	-	-
9,030,854	48,128,460	469,183	11,384,878	2,043,200	61,490,498
32,774,723	35,788,860	27,695,699	28,798,062	30,711,359	58,286,742
(32,774,724)	(35,788,860)	(27,695,699)	(28,798,062)	(30,711,359)	(58,286,742)
-	-	-	-	-	-
<u>9,030,853</u>	<u>48,128,460</u>	<u>469,183</u>	<u>11,384,878</u>	<u>2,043,200</u>	<u>61,490,498</u>
<u>\$ 5,000,094</u>	<u>\$ 24,780,994</u>	<u>\$(15,026,590)</u>	<u>\$(18,066,847)</u>	<u>\$(11,967,251)</u>	<u>\$ 66,702,780</u>
5.64%	4.46%	4.97%	4.26%	3.56%	3.12%

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

Real Property - Total Direct Tax Rate per \$1,000(1)					
Fiscal Year	Assessed Value (3)	Homestead (3)	Non-Homestead (3)	Estimated Actual Value (3)	Assessed Value as a Percentage of Actual Value (2)
2001	4,802,407	\$18.94	\$43.86	4,751,565	101.07
2002	4,789,488	\$19.47	\$42.43	4,750,062	100.83
2003	4,779,188	\$20.52	\$44.04	4,738,368	100.86
2004	4,735,334	\$21.16	\$46.94	5,068,865	93.42
2005	5,105,807	\$20.12	\$44.32	5,204,696	98.10
2006	5,117,664	\$20.99	\$44.79	5,188,750	98.63
2007	5,151,480	\$21.20	\$45.19	5,673,436	90.80
2008	5,189,455	\$21.72	\$43.55	5,825,612	89.08
2009	5,747,600	\$20.57	\$40.67	6,056,480	94.90
2010	5,772,686	\$19.61	\$41.70	6,003,210	96.16

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

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

(3) Source - City Assessor

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

Year Ended 06/30	Class (1)	City of Rochester		Overlapping	Total Direct & Overlapping Rate
		Rochester City School District	City of Rochester	Monroe County	
2001	Homestead	12.97	5.97	10.01	28.95
	Non-Homestead	30.27	13.59	10.01	53.87
2002	Homestead	13.46	6.01	9.59	29.06
	Non-Homestead	29.54	12.89	9.59	52.02
2003	Homestead	14.19	6.33	8.12	28.64
	Non-Homestead	30.66	13.38	8.12	52.16
2004	Homestead	14.64	6.52	9.29	30.45
	Non-Homestead	32.68	14.26	9.29	56.23
2005	Homestead	13.78	6.34	9.27	29.39
	Non-Homestead	30.55	13.77	9.27	53.59
2006	Homestead	14.38	6.61	9.34	30.33
	Non-Homestead	30.87	13.92	9.34	54.13
2007	Homestead	14.53	6.67	9.40	30.60
	Non-Homestead	31.15	14.04	9.40	54.59
2008	Homestead	14.89	6.83	9.43	31.15
	Non-Homestead	30.02	13.53	9.43	52.98
2009	Homestead	14.98	5.59	10.26	30.83
	Non-Homestead	29.74	10.93	10.26	50.93
2010	Homestead	14.28	5.33	10.38	29.99
	Non-Homestead	30.49	11.21	10.38	52.08

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

Source: Monroe County Budget, www.monroecounty.gov and City of Rochester City Assessor.

ROCHESTER CITY SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS PRIOR
JUNE 30, 2010
(in thousands of dollars)

	2010			2001		
	Taxable Value	Rank	Percentage of Total Taxable Value (1)	Taxable Value	Rank	Percentage of Total Taxable Value (2)
Rochester Gas and Electric	\$ 674,142	1	11.68%	\$ 337,400	1	7.03%
Frontier Telephone Corp.	76,285	2	1.32	56,776	3	1.18
Eastman Kodak Co.	75,565	3	1.31	153,046	2	3.19
Buckingham Properties	28,556	4	0.49	13,366	9	0.28
Maguire Family Properties	18,768	5	0.33	-	-	-
EJD Company	18,670	6	0.32	-	-	-
CSX	17,581	7	0.3	12,348	10	0.26
Farash, Jalyann Brighton Development	16,556	8	0.29	14,147	8	0.29
NK - TCC Property, LLC	16,296	9	0.28	-	-	-
Landsman Development Corp.	15,442	10	0.27	-	-	-
JP Morgan Chase	-	-	-	26,615	4	0.55
Pioneer/City Center	-	-	-	19,582	5	0.41
Midtown Rochester, LLC	-	-	-	19,250	6	0.40
Xerox Corp.	-	-	-	17,450	7	0.36

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

(2) The total taxable assessed value of \$4,802,407 was used for fiscal year 2000-01 taxes

Source: City Assessor

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	163,894	149,749	91.37	9,953	159,702	97.44
2002	160,732	146,155	90.93	9,684	155,839	96.96
2003	166,991	152,270	91.18	10,079	162,349	97.22
2004	173,145	158,479	91.53	10,577	169,056	97.64
2005	178,380	163,293	91.54	9,520	172,813	96.88
2006	184,086	168,297	91.42	10,360	178,657	97.05
2007	189,822	174,245	91.79	10,062	184,307	97.09
2008	190,298	174,902	91.91	8,506	183,166	96.38
2009	196,088	181,218	92.42	7,524	188,742	96.25
2010	197,219	182,281	92.43	N/A	182,281	92.43

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

Source – City of Rochester, Department of Finance.

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

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes	Special School Purpose Revenue Bond	Special Program Revenue Bond	Total	Percentage of Personal Income (1)	Per Capita (2)
2001	116,530,000	41,433,450	-	11,949,642	169,913,092	0.72	231
2002	94,125,000	62,615,500	-	10,840,370	167,580,870	0.70	228
2003	77,759,109	79,804,500	12,209,962	9,683,522	179,457,093	0.74	244
2004	133,017,121	33,313,642	11,135,015	8,476,594	185,942,372	0.73	253
2005	114,227,235	48,541,642	10,607,454	7,219,586	180,595,917	0.68	247
2006	147,522,348	24,296,000	8,982,526	5,907,490	186,708,364	0.66	256
2007	131,171,122	42,743,000	7,845,356	4,512,762	186,272,240	0.65	255
2008	127,318,629	60,774,125	6,648,580	3,035,402	197,776,736	0.64	270
2009	116,050,555	83,014,725	5,423,477	1,485,426	205,974,183	0.67	282
2010	166,374,111	26,082,600	4,142,064	-	196,598,775	0.64	269

(1) Per Capita Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov, current year and prior year data not available, 2008 data used for 2009 and 2010.

(2) Population figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov, current year and prior year data not available, 2008 data used for 2009 and 2010.

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2010**

Jurisdiction	Debt Outstanding City (1)	Debt Outstanding School District (2)	Gross Debt Outstanding (1)	Percentage Applicable to City (1)	Amount Applicable to City (1)
City of Rochester	\$ 205,972,509	\$ 192,456,711	\$ 398,429,220	100.00%	\$ 398,429,220
County of Monroe			412,504,509	14.85%	61,256,920
			<u>\$ 810,933,729</u>		<u>\$ 459,686,140</u>

(1) Source of data is City of Rochester Finance Department.

(2) Excludes special school purpose and special program revenue bonds outstanding at June 30, 2010.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District.

**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
2001	\$ 180,115,292	\$ 157,963,450	\$ 22,151,842	12.30%
2002	175,050,401	156,740,500	18,309,901	10.46
2003	167,754,798	157,563,609	10,191,189	6.08
2004	167,620,958	166,330,763	1,290,195	0.77
2005	175,104,709	162,768,877	12,335,832	7.04
2006	179,532,550	171,818,348	7,714,202	4.30
2007	182,546,850	173,914,122	8,632,728	4.73
2008	200,645,932	188,092,754	12,553,178	6.26
2009	203,319,911	199,065,280	4,254,631	2.09
2010	205,972,509	192,456,711	13,515,798	6.56

Legal Debt Margin Calculation for Fiscal Year 2010

Indebtedness	
Borrowings -- Bonds	\$ 166,374,111
Borrowings -- BANs	26,082,600
	<u>\$ 192,456,711</u>
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) (1)	<u>205,972,509</u>
Debt Contracting Margin	<u><u>\$ 13,515,798</u></u>

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

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

Fiscal Year	Special School Purpose Revenue Bond (1)				Special Program Revenue Bond (2)			
	Revenue	Principal	Interest	Coverage	Revenue	Principal	Interest	Coverage
2001	1,066,704	1,066,704	700,977	0.60	-	-	-	-
2002	1,109,272	1,109,272	658,309	0.63	-	-	-	-
2003	1,156,848	1,156,848	611,165	0.65	-	-	-	-
2004	1,206,928	1,206,928	521,155	0.70	1,074,947	1,074,947	404,049	0.73
2005	1,257,008	1,257,008	470,015	0.73	1,063,246	1,063,246	413,344	0.72
2006	1,312,096	1,312,096	454,139	0.74	1,089,243	1,089,243	387,885	0.74
2007	1,394,728	1,394,728	345,972	0.80	1,137,170	1,137,170	316,812	0.78
2008	1,477,360	1,477,360	220,612	0.87	1,196,776	1,196,776	252,967	0.83
2009	1,549,976	1,549,976	203,207	0.88	1,225,103	1,225,103	239,576	0.84
2010	1,485,426	1,485,426	123,396	0.92	1,281,413	1,281,413	171,062	0.88

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

(2) This bond is backed by the State Education Department, for the purpose of advance payment of estimated refunds

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

Fiscal Year	Population - Monroe County (1)	Personal Income - Monroe County (1) (in thousands)	Per Capita Personal Income - Monroe County (1)	Unemployment Rate - Monroe County (2)
2001	735,409	23,666,671	32,182	4.1
2002	736,321	23,987,737	32,578	5.4
2003	736,521	24,174,983	32,823	5.5
2004	735,816	25,375,008	34,486	5.2
2005	732,057	26,399,273	36,062	4.6
2006	729,921	28,099,299	38,496	4.4
2007	731,780	28,768,865	39,314	4.5
2008	731,543	30,785,053	42,082	5.4
2009	N/A	N/A	N/A	7.8
2010	N/A	N/A	N/A	7.5

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

(2) Source: NYS Dept of Labor, www.labor.state.ny.us (average rates computed through September 2010)

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

Employer	2010			2001		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	19,596	1	3.95%	12,240	3	2.33%
Wegman's Food Markets Inc.	13,752	2	2.77%	5,478	5	1.04%
Eastman Kodak Company	7,400	3	1.49%	24,000	1	4.56%
Rochester General Health System	7,136	4	1.44%	5,525	2	1.05%
Xerox Corporation	7,014	5	1.41%	13,350	4	2.54%
Unity Health System	5,229	6	1.05%	2,530	9	0.48%
Lifetime Healthcare Cos. Inc.	3,473	7	0.70%	-	-	-
Paychex Inc.	3,431	8	0.69%	-	-	-
Rochester Institute of Technology	3,168	9	0.64%	2,350	10	0.45%
Harris Corporation, RF Communications	2,300	10	0.46%	-	-	-
Frontier Corp.	-	-	-	3,178	6	0.60%
Delphi Energy and Engine Mgmt Sys	-	-	-	3,000	7	0.57%
Excellus Inc.	-	-	-	2,940	8	0.56%
	<u>72,499</u>		<u>14.60%</u>	<u>74,591</u>		<u>14.18%</u>

¹ Source Rochester Business Journal

² Employment source: www.labor.state.ny.us

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

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

	2001	2002	2003	2004	2005
General Support:					
Board of Education	8	8	8	8	8
Chief School Administrator	6	11	8	8	9
Finance	37	38	42	49	53
Staff	37	43	38	36	41
Central Services	641	569	611	616	611
Other	-	-	-	-	-
Total General Support	<u>729</u>	<u>669</u>	<u>707</u>	<u>716</u>	<u>722</u>
Instruction:					
Administration and Improvement	590	582	569	557	570
Teaching	4,280	4,209	4,097	3,949	3,835
Instructional Media	65	62	68	57	68
Pupil Services	239	236	232	221	229
Pupil Transportation	106	116	111	105	132
Community Services	95	122	117	115	101
Unclassified	22	66	21	15	17
Total Instruction	<u>5,398</u>	<u>5,392</u>	<u>5,214</u>	<u>5,019</u>	<u>4,952</u>
Total	<u>6,126</u>	<u>6,061</u>	<u>5,921</u>	<u>5,735</u>	<u>5,674</u>

	2006	2007	2008	2009	2010
General Support:					
Board of Education	10	10	11	11	11
Chief School Administrator	8	9	8	10	14
Finance	55	58	54	56	59
Staff	43	51	48	48	45
Central Services	616	624	607	647	636
Other	4	1	-	-	-
Total General Support	<u>736</u>	<u>753</u>	<u>728</u>	<u>772</u>	<u>765</u>
Instruction:					
Administration and Improvement	617	644	644	678	669
Teaching	3,894	4,113	4,170	4,235	4,033
Instructional Media	68	70	72	72	66
Pupil Services	249	269	259	277	271
Pupil Transportation	136	137	137	132	125
Community Services	107	98	48	116	109
Unclassified	18	15	15	15	15
Total Instruction	<u>5,089</u>	<u>5,346</u>	<u>5,345</u>	<u>5,524</u>	<u>5,288</u>
Total	<u>5,825</u>	<u>6,099</u>	<u>6,073</u>	<u>6,296</u>	<u>6,053</u>

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

Fiscal Year	Enrollment (1)	Expenses (2)	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil- Teacher Ratio	Percentage of Students Receiving Free or Reduced- Priced Meals (1)
2001	35,435	529,863,383	14,953	N/A	4,280	8.3	78.4
2002	35,095	519,395,030	14,800	-1.0%	4,209	8.3	81.4
2003	34,526	517,218,804	14,981	1.2	4,097	8.4	81.8
2004	33,832	520,598,086	15,388	2.7	3,949	8.6	80.1
2005	33,035	536,208,480	16,232	5.5	3,835	8.6	86.2
2006	33,380	577,433,866	17,299	6.6	3,894	8.6	88.4
2007	32,586	614,126,498	18,846	8.9	4,113	7.9	77.4
2008	32,717	668,838,299	20,443	8.5	4,170	7.8	79.3
2009	32,132	709,494,914	22,081	8.0	4,235	7.6	81.2
2010	31,654	713,317,157	22,535	2.1	4,033	7.8	83.6

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

(2) Expenses are presented on a Government-wide basis

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

(continued next page)

	2001	2002	2003	2004	2005
<u>Schools</u>					
Elementary					
Buildings	39	39	39	39	40
(a) Square Feet	2,756,816	2,756,816	2,811,965	3,053,443	2,965,521
Capacity	23,143	23,143	23,143	20,840	19,800
Enrollment	19,524	18,740	19,728	18,595	17,489
Secondary					
Buildings	15	15	16	15	15
(a) Square Feet	3,480,798	3,480,798	3,489,461	3,721,397	3,575,421
Capacity	18,252	18,252	18,252	17,408	15,727
Enrollment	15,911	16,355	14,822	15,237	15,566
Other					
Buildings	7	7	1	1	1
(a) Square Feet	312,581	312,581	170,697	167,722	141,969
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	2	2	1	4	4
(a) Square Feet	120,630	120,630	116,755	229,273	229,273
<u>Transportation</u>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	256,077	256,077
Buses	93	93	93	93	93
<u>Athletics</u>					
Football Fields	7	7	7	7	7
Soccer Fields	5	5	5	5	5
Running Tracks	6	6	6	6	6
Baseball/Softball	10	10	10	10	10
Swimming Pools	11	11	11	11	11
Playgrounds	38	38	39	39	39

Source: Facilities Department District records

(a) Total Managed Square Footage includes building, transportables and any additional community use space.

2006	2007	2008	2009	2010
38	38	38	38	38
2,978,216	2,978,216	2,977,479	2,977,479	3,068,471
20,422	20,422	20,422	20,922	21,324
17,655	16,970	17,093	17,271	17,228
16	16	16	16	16
3,704,416	3,704,416	3,704,416	3,704,416	3,704,416
16,345	16,345	16,345	15,775	15,775
15,387	15,616	15,675	14,861	14,426
1	1	1	3	3
141,969	141,969	141,969	296,969	176,319
-	-	-	-	-
-	-	-	-	-
4	4	4	3	2
229,273	229,273	256,781	170,354	241,755
256,077	256,077	256,077	256,077	256,077
93	90	90	87	87
7	7	7	7	7
5	5	5	9	9
6	6	6	8	8
10	10	10	22	22
11	11	11	13	13
39	39	39	35	36

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Single Audit Report



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
Government Auditing Standards**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2010, which generally comprise the District's basic financial statements and have issued our report thereon dated November 11, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, as item 10-1, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 10-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Rochester City School District in a separate letter dated November 11, 2010.

The District's response to the finding identified during our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Fred Maxick & Battaglia, CPAs, PC

Rochester, New York
November 11, 2010



Freed Maxick & Battaglia, CPAs, PC

**Independent Auditor's Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in
Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Rochester City School District (the District), a component unit of the City of Rochester, New York, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, the audit committee, management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Fred Maxick & Battaglia, CPAs, PC

Rochester, New York
November 11, 2010

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROJECTS CLOSED AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	DOMESTIC ASSISTANCE CATALOG NUMBER
<u>DIRECT FEDERAL PROJECTS</u>			
IMPACT AID			
F 0820	Impact Aid	S041B20083427	84.040
OTHER DIRECT FEDERAL			
F 0194	Startalk	H982300910	12.901
F 0197	Foreign Lang. Assist Prog	293B060047	84.293B
F 0335	Native American Resource Ctr	060A072183	84.060A
F 0374	Arts Model Development	351D060136	84.351B
F 0448	Carol White Phys Ed Program	215F070018	84.215F
F 0451	Integrated Sch w/ Mental Health	215M060046	84.215M
F 0453	Safe Schools/Healthy Stdnts I	184L080045	84.184L
F 0454	Safe Schools/Healthy Stdnts II	184L080045	84.184L
F 0470	Advanced Plcmt Incentive Grant	330C080224	84.330C
F 0476	Teaching as Historians	215X080325	84.215X
<u>FEDERAL FLOW THROUGH PROJECTS</u>			
ESEA TITLE I			
F 0202-298	Title I	0021091395	84.010A
ESEA TITLE VI INNOVATIVE PROGRAM STRATEGIES			
F 0201	Title V, Pt A - Innovative Pgm	0002091395	84.298A
ESEA TITLE IV SAFE & DRUG-FREE SCHOOLS			
F 0450	Title IV - Safe & Drug-Free	0180091395	84.186A
INDIVIDUALS WITH DISABILITIES EDUCATION ACT			
F 0305	IDEA Support Serv & Sec 611	0032090370	84.027A
F 0340	IDEA Preschool Serv & Sec 619	0033090370	84.173A
F 0362	IDEA Quality Assurance Impleme	0031092855	84.027A
VOCATIONAL EDUCATION			
F 0043	Perkins Correctional	8030090001	84.048A
F 0706	WIA ELL Postsecondary	2338098006	84.002
F 0707	Perkins Secondary	8000090024	84.048A
F 0754	Perkins Adult	8000099020	84.048A
WORKFORCE INVESTMENT ACT			
F 0701	Title II - WIA - Correction Ed	0138090015	84.002A
F 0722	WIA Title II	2338091074	84.002A
OTHER FEDERAL FLOW THROUGH STATE			
F 0042	Fast Track Rochester	JJ05441702	16.540
F 0044	Re-Entry Project	JJ07444090	16.540
F 0046	OJJDP Re-Entry Project	0081015E00	16.540
F 0119	Title IIB Math Partnership	0294090107	84.366B
F 0120	Title II-D - Technology	0292091395	84.318X
F 0121	Title IID Competitive	0291090009	84.318X
F 0199	Title III Bilingual Educ	0293091395	84.365A

(REVENUE) BUDGET	REVENUES	EXPENDITURES			Net (Accrued) Deferred Revenue
	CUMULATIVE 6/30/2009	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ 25,862	\$ 44,113	\$ 12,425	\$ 13,438	\$ 25,863	\$ -
52,564	-	1,110	28,372	29,482	-
103,945	80,714	100,605	3,338	103,943	-
59,798	47,687	61,247	(3,634)	57,613	-
252,008	134,210	200,695	1,402	202,097	-
218,008	159,227	219,649	(1,642)	218,007	-
46,016	21,757	21,742	15	21,757	-
405,482	300,972	395,149	10,255	405,404	-
323,170	195,917	315,253	7,917	323,170	-
570,351	11,760	117,888	450,437	568,325	-
145,312	91,673	145,263	48	145,311	-
32,211,397	21,242,403	27,014,685	1,276,818	28,291,503	-
10,000	2,000	4,164	1,119	5,283	-
446,773	207,263	292,583	112,926	405,509	-
10,149,282	7,342,038	9,085,362	129,449	9,214,811	-
568,201	378,045	450,939	56,983	507,922	-
175,000	35,000	12,158	102,706	114,864	-
40,000	26,421	32,660	32	32,692	-
100,000	63,135	99,957	(228)	99,729	-
583,504	330,414	534,906	488	535,394	-
217,474	142,123	215,704	1	215,705	-
250,000	50,000	243,589	751	244,340	-
125,072	97,283	124,634	438	125,072	-
92,637	57,036	75,001	3,677	78,678	-
171,287	104,544	104,544	-	104,544	-
167,861	-	20,176	133,429	153,605	-
799,991	159,998	681,686	45,682	727,368	-
297,349	199,862	254,605	2,096	256,701	-
756,075	100,000	212,042	532,418	744,460	-
883,375	420,810	557,875	72,151	630,026	-

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROJECTS CLOSED AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	DOMESTIC ASSISTANCE CATALOG NUMBER
F 0200	Title IIA - Tchr & Prin Tr/Rec	0147091395	84.367A
F 0300	Title I - Improvement/Choice	0011092004	84.010A
F 0303	DICA Audit Grant	0011090004	84.010A
F 0306	Title I SQR Grant	0123090039	84.377A
F 0310	SETRC	C007559	84.027A
F 0360	Homeless Children & Youth	0212093919	84.196A
F 0364	Reading First	0243090215	84.357A
F 0458	Title IV SDFSCA8	0189091001	84.186
A 1200/1	NYS Fiscal Stabilization	-----	84.394
OTHER FEDERAL FLOW THROUGH AGENCY/FOUNDATION			
F 0147	Smaller Learning Communities	GREECE0601	84.215L
F 0321	U of R / NIMH	URNIMH0901	93.242B
F 0359	Librarians for 21st Century	0106007606	45.313B

TOTAL FEDERAL AWARDS - CLOSED PROJECTS

(REVENUE) BUDGET	REVENUES	EXPENDITURES			Net (Accrued)
	CUMULATIVE 6/30/2009	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	Deferred Revenue
\$ 6,005,551	\$ 2,757,267	\$ 3,534,352	\$ 1,575,571	\$ 5,109,923	\$ -
900,000	180,000	322,167	344,547	666,714	-
3,000,335	600,067	2,147,755	(34,674)	2,113,081	-
210,000	157,842	150,011	27,208	177,219	-
503,216	275,771	405,462	1,337	406,799	-
125,000	44,369	80,501	513	81,014	-
690,942	509,788	657,321	-	657,321	-
75,836	20,493	24,180	(1,153)	23,027	-
20,343,734	-	-	20,343,734	20,343,734	-
324,206	334,146	218,973	1,454	220,427	-
168,878	113,895	164,093	2,289	166,382	-
84,646	55,189	58,553	3,928	62,481	-
\$ 82,680,357	\$ 37,095,232	\$ 49,371,664	\$ 25,245,636	\$ 74,617,300	\$ -

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROJECTS OPEN AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	DOMESTIC ASSISTANCE CATALOG NUMBER	(REVENUE) BUDGET
<u>DIRECT FEDERAL PROJECTS</u>				
IMPACT AID				
G 0820	Impact Aid	S041B20093427	84.040	\$ 23,681
OTHER DIRECT FEDERAL				
G 0089	Readiness & Emerg Mg for Schoo	184E090093	84.148E	322,328
G 0194	STARTALK US Def 2010	H982301011	12.901	65,631
G 0197	Foreign Language Assistance Prog	293B060047	84.293B	148,480
G 0335	Title VII - Native American Re	060A092183	84.060A	58,491
G 0363	Improv Literacy thru Libraries	364A090431	84.364	300,000
G 0448	Carol White Physical Education	215F070018	84.215F	165,409
G 0453-0454	Safe Schools/Healthy Students	184L080045	84.184L	2,256,102
G 0470	Advanced Placement Incentive	330C080045	84.330C	1,008,189
G 0475	Elementary Historians - TAH US	215X090434	84.215X	333,333
G 0476	Teaching As Historians	215X080325	84.215X	457,893
ESEA TITLE I				
G 0202-298	Title I	0021101395	84.010A	27,920,752
ESEA TITLE IV SAFE & DRUG-FREE SCHOOLS				
G 0450	Title IV – Safe & Drug-Free	0180101395	84.186A	387,107
INDIVIDUALS WITH DISABILITIES EDUCATION ACT				
G 0305-0307	IDEA Support Services & Section	0032100370	84.027A	10,440,311
G 0340	IDEA Pre-School Services	0033100370	84.173A	557,903
VOCATIONAL EDUCATION				
G 0043	Perkins Program in Incarcerati	8030100001	84.048A	40,000
G 0706	WIA ELL Postsecondary	2338108006	84.002	100,000
G 0707	Perkins Secondary	8000100024	84.048A	603,656
G 0754	Perkins Adult	8000109020	84.048A	220,815
WORKFORCE INVESTMENT ACT				
G 0701	Workforce Investment Act	0138100015	84.002A	250,000
G 0722	WIA Adult Literacy Education	2338101074	84.002A	125,072
G 0724	WIA Literacy Zone Workforce De	2338109013	84.002A	325,000
FEDERAL -AARA				
G 0093	ARRA Child Nutrition	5004100111	10.579	307,612
G 0600-0619	ARRA Title I	5021101395	84.389A	9,701,328
G 0620	ARRA IDEA 611	5032100370	84.391A	5,111,102
G 0640	ARRA IDEA 619 2009 VESID Part	5033100370	84.392A	233,657
G 0660	McKinney-V. ARRA '09 Funds	5212103919	84.387	64,972
FEDERAL FISCAL STABILIZATION				
G 0345	Rochester Teacher Center	5425100089	84.397	507,080
G 0347	ARRA Mentor Teacher Internship	5663100006	84.397	65,000

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ -	\$ 41,931	\$ 41,931	\$ -	\$ 20,006	\$ 20,006	\$ 21,925
-	3,337	3,337	-	3,670	3,670	(333)
-	-	-	-	8,318	8,318	(8,318)
-	-	-	-	90,328	90,328	(90,328)
-	52,014	52,014	-	58,247	58,247	(6,233)
-	272,634	272,634	-	285,628	285,628	(12,994)
-	120,621	120,621	-	130,545	130,545	(9,924)
-	1,381,788	1,381,788	-	1,517,739	1,517,739	(135,951)
-	227,880	227,880	-	255,814	255,814	(27,934)
-	214,395	214,395	-	225,575	225,575	(11,180)
-	306,739	306,739	-	341,011	341,011	(34,272)
-	23,184,897	23,184,897	-	27,264,480	27,264,480	(4,079,583)
-	167,055	167,055	-	290,859	290,859	(123,804)
-	6,596,808	6,596,808	-	9,639,294	9,639,294	(3,042,486)
-	448,111	448,111	-	538,759	538,759	(90,648)
-	23,129	23,129	-	34,331	34,331	(11,202)
-	87,707	87,707	-	99,662	99,662	(11,955)
-	375,887	375,887	-	516,653	516,653	(140,766)
-	161,324	161,324	-	215,719	215,719	(54,395)
-	141,768	141,768	-	243,459	243,459	(101,691)
-	100,027	100,027	-	124,575	124,575	(24,548)
-	220,466	220,466	-	303,636	303,636	(83,170)
-	307,612	307,612	-	307,612	307,612	-
-	5,954,562	5,954,562	-	7,503,568	7,503,568	(1,549,006)
-	3,445,623	3,445,623	-	4,695,553	4,695,553	(1,249,930)
-	58,624	58,624	-	159,611	159,611	(100,987)
-	12,994	12,994	-	4,076	4,076	8,918
-	311,676	311,676	-	473,023	473,023	(161,347)
-	13,844	13,844	-	47,046	47,046	(33,202)

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PROJECTS OPEN AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	DOMESTIC ASSISTANCE CATALOG NUMBER	(REVENUE) BUDGET
OTHER FEDERAL FLOW THROUGH STATE				
G 0119	Title II-B Math/Science Partner	0294100107	84.366B	\$ 799,999
G 0120	Title II-D Technology Grant	0292101395	84.318X	264,807
G 0121	Title IID Comp. EETT / NYS Off	0291101034	84.318X	700,000
G 0193	Title I LEP/ELL Sch Imp 1003(a	0011103054	84.010	100,000
G 0196	Title IIIA 2009-2009 Immigrant	0149091395	84.365	71,303
G 0199	Title IIIA LEP (Bilingual)	0293101395	84.365A	812,605
G 0200	Title II-A Recruitment	0147101395	84.367A	4,803,128
G 0300	Title I - School Improvement	0011102004	84.010A	1,810,000
G 0301	SQR Title I SWW, NECP, FTLC	0123100109	84.377A	210,000
G 0303	DICA Audit	0011100004	84.010A	4,613,000
G 0306	SQR Title I 2009-10 School Qua	0123100019	84.377A	179,997
G 0310	SETRC	C010298	84.027A	456,103
G 0312	Joint Intervention Tea	0123103107	84.377A	1,000,000
G 0330	External Sch Curriculum Audit	0123102108	84.377A	85,000
G 0360	Homeless Children and Youth	0212103919	84.196A	125,000
G 0364	Reading First	0243100215	84.357A	341,313
G 0400	2009-2010 Title I Sch Imp Sect	0123104054	84.377A	2,438,553
G 0404	Response to Intervention #4	0031105502	84.027A	100,000
G 0421	NYSED Coordinated School Healt	0125100003	93.938	2,862
G 0507	GCC Perkins Funding	8080100010	84.243	96,328
G 0717	FSET Food Stamp Emplmt Trng Ve	C020854010	10.561	300,000
G 0718	Educational Resources - TANF P	C020720910	93.558	225,000
OTHER FEDERAL FLOW THROUGH AGENCY/FOUNDATION				
G 0147	Smaller Learning Communities	V215L050016	84.215L	237,329
G 0321	U of R National Institute of M	URNIMH0901	93.242B	133,539
G 0359	IMLS Laura Bush 21st Cen Libra	0106007606	45.313B	100,980
G 0783	Urban League Youth Build	URBANL1001	17.274	141,769
TOTAL FEDERAL AWARDS - OPEN PROJECTS				\$ 82,249,519
SCHOOL FOOD SERVICE FUND:				
	U.S. Department of Agriculture	---	10.555	\$ 14,851,749
	City of Rochester			311,534
TOTAL SCHOOL FOOD SERVICE FUND				\$15,163,283
TOTAL FEDERAL AWARDS - CLOSED AND OPEN PROJECTS AND SCHOOL FOOD SERVICE FUND				\$180,093,159

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ -	\$ 261,288	\$ 261,288	\$ -	\$ 771,043	\$ 771,043	\$ (509,755)
-	204,169	204,169	-	231,251	231,251	(27,082)
-	341,144	341,144	-	418,983	418,983	(77,839)
-	20,000	20,000	-	2,357	2,357	17,643
-	65,583	65,583	-	65,343	65,343	240
-	134,998	134,998	-	239,995	239,995	(104,997)
-	2,764,715	2,764,715	-	4,517,429	4,517,429	(1,752,714)
-	492,298	492,298	-	969,293	969,293	(476,995)
-	42,000	42,000	-	60,517	60,517	(18,517)
-	953,511	953,511	-	2,252,012	2,252,012	(1,298,501)
-	58,844	58,844	-	83,604	83,604	(24,760)
-	143,838	143,838	-	374,765	374,765	(230,927)
-	200,000	200,000	-	303,473	303,473	(103,473)
-	17,000	17,000	-	47,144	47,144	(30,144)
-	57,808	57,808	-	69,903	69,903	(12,095)
-	251,740	251,740	-	294,205	294,205	(42,465)
-	487,710	487,710	-	217,803	217,803	269,907
-	20,000	20,000	-	-	-	20,000
-	2,862	2,862	-	2,862	2,862	-
-	-	-	-	87,325	87,325	(87,325)
-	20,250	20,250	-	4,048	4,048	16,202
-	169,500	169,500	-	104,389	104,389	65,111
-	249,355	249,355	-	150,270	150,270	99,085
-	102,281	102,281	-	133,571	133,571	(31,290)
-	-	-	-	29,213	29,213	(29,213)
-	70,884	70,884	-	40,106	40,106	30,778
<hr/>			<hr/>			<hr/>
\$ -	\$ 51,365,231	\$ 51,365,231	\$ -	\$ 66,869,699	\$ 66,869,699	\$ (15,504,468)
<hr/>			<hr/>			<hr/>
-	14,851,749	\$14,851,749	-	\$ 14,851,749	\$ 14,851,749	-
-	311,534	311,534	-	311,534	311,534	-
<hr/>			<hr/>			<hr/>
\$ -	\$ 15,163,283	\$ 15,163,283	\$ -	\$ 15,163,283	\$ 15,163,283	\$ -
<hr/>			<hr/>			<hr/>
\$ 37,095,232	\$ 104,030,582	\$ 141,125,814	\$ 49,371,644	\$ 107,278,618	\$ 156,650,262	\$ (15,504,468)
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ROCHESTER CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note I.C. to the District's Financial Statements.

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

3. Relationship to Financial Reports

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

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. All federal programs with expenditures exceeding \$3,218,359 are considered Type A programs and all other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed \$321,836 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

4. Other

In the Schedule of Expenditures of Federal Awards for the School Food Service Fund, \$929,925 for commodities has been received from the U.S. Department of Agriculture and is included in the current year revenues and expenditures.

Negative revenues are the result of program closeouts.

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>Name of Federal Programs or Clusters</u>	<u>CFDA Number(s)</u>
Special Education Cluster	84.027/84.173/84.391/84.392
Title I Cluster	84.010/84.389
State Fiscal Stabilization Cluster	84.394/84.397

Dollar threshold used to distinguish between type A and type B programs \$ 3,218,359

Auditee qualified as low-risk auditee? Yes X No

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010 (Continued)

II. FINANCIAL STATEMENT FINDINGS

10-1 Federal Receivable

Condition: During our audit we noted that a receivable had not been established for the State Fiscal Stabilization ARRA (American Recovery and Reinvestment Act) funds that had been expended but not received as of June 30, 2010. By not recording this receivable, the state/federal aid receivable and federal revenue would have been understated by just over eight million dollars.

Criteria: A receivable should be established for state/federal funds that have been expended but not received as of June 30, 2010.

Effect: The omission of the receivable would have resulted in a material misstatement of the financial statements.

Recommendation: We recommend that the accounting personnel review state/federal aid and related receivables on a continuous basis.

Response: The Accounting Department does review state/federal aid and the related receivables on a continual basis. Several types of ARRA funds were introduced during fiscal 2009-10. These ARRA funds were recorded in the Special Aid fund in accordance with past practice, with Stabilization funds being the only exception. The exception was due to the NYSED requiring the reporting of Stabilization revenues and expenses to be in the General Fund instead of the Special Aid Fund. The Grants Financial Management Department's year-end close process records receivables in the Special Aid fund only, resulting in an omission during the course of the year end closing. We have reviewed and enhanced our controls to ensure proper recording. As part of the monthly close process, the Grants Department will submit a report to the accounting department which details all grant billed and unbilled revenue associated with the cumulative financial period, regardless of fund, to be reviewed by accounting for proper and timely financial recording.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

I. FINANCIAL STATEMENT FINDINGS

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

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010 (Continued)

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

NEW YORK STATE AND OTHER AWARDS

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF NEW YORK STATE AND OTHER AWARDS
PROJECTS CLOSED AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	(REVENUE) BUDGET
<u>NEW YORK STATE PROJECTS</u>			
F 0023	Universal Pre-K	0409097506	\$ 10,279,068
F0031-032	Empl Preparation Ed	00SA432009	2,840,033
F 0041	Incarcerated Youth	0000SA8109	2,000,087
F 0050-080	Summer Program - Instruction	0000900009	4,512,050
F 0092	Feasibility Study-Insurance	C068872NYS	84,000
F 0100	School Health Services	0432090002	6,292,705
F 0123	Learn Tech SWW	0647090053	49,997
F 0124	Learn Tech Monroe	0647090056	50,000
F 0125	Learn Tech Monroe Marshall Wil	0647090052	49,635
F 0126	Learn Tech Douglass SWW Jeffer	0647090054	49,915
F 0127	Learn Tech East	0647090055	49,999
F 0128	Learn Tech East Charlotte	0647090057	49,980
F 0151	Special Legislative Project @ Franklin BIOSC #1	SPLC807003	471,202
F 0152	Special Legislative Project @ Franklin BIOSC #2	SPLC806009	467,248
F 0195	ELL Bilingual Supplementary	0635098011	25,000
F 0198	Refugee School Impact Grant	C020183071	353,918
F 0345	Rochester Teacher Center	0425090089	579,000
F 0346	Cohesive Leadership Grant	COHESIVE09	135,000
F 0347	Mentor Intern Program	0663090006	325,000
F 0350	Roch School Library Systems	0365090046	87,610
F 0351	Extend Day/Violence Prevention	0640091395	691,993
F 0352	Sch Lib Sys Aid 4 Automation	0364090046	8,871
F 0353	Library Automation Rollover	LIBROL0901	3,183
F 0354	Library Systems Rollover	LIBROL0902	3,215
F 0356	School Library Suppl Aid	0365091046	35,421
F 0420	Missing Child Prevention	0544097059	9,996
F 0587	Medicaid Contract	C008808MED	56,400
F 0721	Welfare Ed Prog Lit & Basic Ed	2396091105	275,562
F 0749	Citizenship Initiative Program	OSWEGO0901	14,333
F 0755	SURR Grant	0436090005	200,022
F 0764	ARSIP - Apprenticeship	0140090024	85,527
F 0825	Teachers of Tomorrow	0644090012	1,985,680
<u>MONROE COUNTY PROJECTS</u>			
F 0317	Pre-Sch Intgrtd/Hndcpdd	0000916509	902,268
F 0370	Pre-School Related Services	0000920009	468,088
F 0375	Preschool S.E.I.T.	0000913509	134,499
F 0391	Pre-Sch Admin/County	COUNTY0901	369,055
F 0772	MCDSS Careers	MCDSS47408	466,000

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ 7,077,745	\$ 3,200,868	\$ 10,278,613	\$ 10,257,224	\$ 21,389	\$ 10,278,613	\$ -
1,115,929	1,706,864	2,822,793	2,809,395	13,398	2,822,793	-
834,000	1,157,754	1,991,754	1,986,806	4,948	1,991,754	-
98,478	4,106,127	4,204,604	4,203,406	1,198	4,204,604	-
-	72,491	72,491	72,491	-	72,491	-
4,810,725	1,432,806	6,243,531	6,239,536	3,995	6,243,531	-
44,997	4,438	49,435	49,565	(130)	49,435	-
29,335	20,374	49,709	49,710	(1)	49,709	-
12,408	30,868	43,276	40,280	2,996	43,276	-
12,478	34,068	46,546	43,163	3,383	46,546	-
12,499	23,669	36,168	36,167	1	36,168	-
21,336	25,181	46,517	43,079	3,438	46,517	-
117,800	129,217	247,017	243,650	3,367	247,017	-
116,812	68,833	185,645	185,642	3	185,645	-
12,500	(5,698)	6,802	6,802	-	6,802	-
-	233,899	233,899	3,835	230,064	233,899	-
369,581	151,816	521,397	524,092	(2,695)	521,397	-
101,250	33,750	135,000	113,800	21,200	135,000	-
231,075	72,462	303,537	303,538	(1)	303,537	-
96,929	(9,319)	87,610	86,872	738	87,610	-
460,839	219,266	680,105	667,304	12,801	680,105	-
9,693	(822)	8,871	8,871	-	8,871	-
3,183	-	3,183	3,059	124	3,183	-
3,215	-	3,215	739	2,477	3,215	-
47,950	(12,529)	35,421	35,421	-	35,421	-
2,499	6,712	9,211	9,211	-	9,211	-
-	52,249	52,249	49,431	2,818	52,249	-
226,115	43,819	269,934	274,708	(4,774)	269,934	-
-	14,333	14,333	475	13,859	14,333	-
85,878	56,356	142,234	142,422	(188)	142,234	-
-	-	-	85,229	(85,229)	-	-
992,840	290,724	1,283,564	1,283,564	-	1,283,564	-
477,548	112,681	590,229	876,640	(286,411)	590,229	-
139,045	55,541	194,585	393,546	(198,961)	194,585	-
68,120	24,336	92,456	133,873	(41,417)	92,456	-
-	-	-	319,682	(319,682)	-	-
349,500	116,500	466,000	459,096	6,904	466,000	-

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF NEW YORK STATE AND OTHER AWARDS
PROJECTS CLOSED AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	(REVENUE) BUDGET
<u>PRIVATE PROJECTS</u>			
F 0091	Food Security	2007582509	\$ 30,457
F 0104	Target Field Trip Grant #42	TARGET0905	800
F 0105	Target Field Trip YA Evening	TARGET0904	800
F 0106	Target Grant at School #6	TARGET0901	800
F 0107	Target Field Trip School #1	TARGET0902	800
F 0108	Target Field Trip Grant - Jeff	TARGET0903	800
F 0111	WC Foundation	GROUPW0901	35,000
F 0137	GRHF Water Marshall	GRHFMA0901	4,830
F 0138	GRHF Dancing Stars Future #8	GRHF080902	5,800
F 0139	GRHF Fitness Stations #9	GRHF090902	10,000
F 0143	Toshiba America Foundation	TOSHIB0901	518
F 0304	Roch Early Enhancemnt Prg-RPPP	CHILDR0901	131,232
F 0313	School #12/United Way	UNITWY0901	157,700
F 0378	Arts & Cultural Council-East	ARTSCU0901	4,000
F 0379	YAR JROTC Grant @ East	YARJROTC09	1,000
F 0409	RAC Center for Math & Science	RACCEN0901	40,000
F 0417	Play It Smart	PLAYIT0901	20,834
F 0513	The Primary Project	CHILDR0902	99,000
F 0515	The Primary Project	CHILDR0904	29,620
F 0550	Marshall Elevator Grant	ELEVATOR09	3,000
F 0560	UNICON Construction @ Edison	VIRTUA0901	5,000
F 0581	Exped Learning #58 Grant 1	ELSWOI0901	63,500
F 0700	Virtual Enterprise Membership	VIRTUA0901	27,000
F 0703	Health Care Apprenticeship	ROCGEN0901	162,000
F 0734	Law Prep Summer Internship @ M	RWILAW0901	20,154
F 0739	Law Enforcement Program @ Marshall	CITYRO0901	18,112
F 0740	Hospit & Lodging Career @ Jefferson	RWILAW0903	24,548
F 0742	Cuban/Haitian Entrants	CFCCHES09	30,000
F 0747	Gardent Plots @ Marshall	RWILAW0902	15,045
F 0766	Cons Crdt Cnsl Serv - Student	CCCSIN0901	2,206
F 0769	ESL NAF Summer Intern	ESLNAF0901	11,616
F 0773	Monroe County Transition Servi	MCDSS16808	95,000
F 0900	RWI Criminal Justice @ Marshal	RWICRIMJ09	25,029
F 0901	RWI Law Enforce @ Marshall	RWILAWEN09	23,739
F 0902	RWI Garden Plots @ Marshall	RWIGARDE09	20,377
F 0903	RWI Hospitality @ Jefferson	RWIHOSPI09	26,328
F 0904	RWI Career & Tech @ Jefferson	RWICAREE09	28,317
F 0905	ESL NAF Summer intern	ESLNAFSU09	8,000
F 0906	RWI Youth Development @ Edison	RWIYOUTH09	67,258
F 0907	CCSC Student Intern	CCCSNAFS09	2,000
TOTAL NEW YORK STATE AND OTHER AWARDS - CLOSED PROJECTS			\$ 35,713,780

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ 30,457	\$ (15,532)	\$ 14,925	\$ 14,925	\$ -	\$ 14,925	-
800	(41)	759	759	-	759	-
800	(30)	770	770	-	770	-
800	(188)	612	612	-	612	-
800	(30)	770	770	-	770	-
800	(120)	680	680	-	680	-
28,915	-	28,915	28,755	161	28,915	-
4,830	(703)	4,127	-	4,127	4,127	-
5,800	(272)	5,528	5,528	-	5,528	-
10,000	-	10,000	10,000	-	10,000	-
517	-	517	419	98	517	-
77,864	52,905	130,768	130,752	16	130,768	-
132,500	23,935	156,434	156,434	-	156,434	-
2,000	2,000	4,000	4,000	-	4,000	-
843	-	843	843	-	843	-
30,000	10,000	40,000	39,722	278	40,000	-
16,667	4,167	20,833	20,833	1	20,833	-
25,809	45,430	71,239	70,928	310	71,239	-
10,000	18,416	28,416	28,416	-	28,416	-
3,000	(208)	2,793	1,793	1,000	2,793	-
5,000	-	5,000	3,881	1,119	5,000	-
62,700	-	62,700	51,284	11,416	62,700	-
21,043	1,000	22,043	25,837	(3,794)	22,043	-
18,495	79,500	97,995	45,453	52,541	97,995	-
20,154	(72)	20,082	19,328	754	20,082	-
7,202	-	7,202	7,202	-	7,202	-
22,271	(491)	21,780	20,962	818	21,780	-
-	30,297	30,297	26,253	4,044	30,297	-
15,045	(199)	14,846	14,296	549	14,846	-
2,206	-	2,206	2,206	-	2,206	-
4,938	-	4,938	4,671	266	4,938	-
82,320	-	82,320	77,277	5,043	82,320	-
-	19,820	19,820	-	19,820	19,820	-
-	17,916	17,916	-	17,916	17,916	-
-	17,925	17,925	-	17,925	17,925	-
-	20,833	20,833	-	20,833	20,833	-
-	20,901	20,901	603	20,298	20,901	-
-	7,138	7,138	-	7,138	7,138	-
-	66,395	66,395	-	66,395	66,395	-
2,000	(353)	1,647	-	1,647	1,647	-
\$ 18,628,876	\$ 13,889,970	\$ 32,518,846	\$ 32,858,517	\$ (339,671)	\$ 32,518,846	\$ -

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF NEW YORK STATE AND OTHER AWARDS
PROJECTS OPEN AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	(REVENUE) BUDGET
<u>NEW YORK STATE PROJECTS</u>			
G 0023	Universal Pre-K	0409107506	\$ 10,733,866
G 0031-032	Empl Preparation Ed	00SA432010	3,085,034
G 0041	Incarcerated Youth	0000SA8110	2,277,514
G 0050-080	Summer Program - Instruction	0000900010	5,393,926
G 0100	School Health Services	0432100002	6,292,705
G 0124	Learn Tech Monroe	0647100041	50,000
G 0195	ELL Bilingual Supplementary	0635108011	25,000
G 0346	Cohesive Leadership Grant	1000007709	120,000
G 0350	Roch School Library Systems	0365100046	89,375
G 0351	Extend Day/Violence Prevention	0640101395	605,494
G 0352	Sch Lib Sys Aid 4 Automation	0364090046	8,938
G 0353	Library Automation Rollover	LIBROL1001	822
G 0354	Library Systems Rollover	LIBROL1002	21,848
G 0356	School Library Suppl Aid	0365101046	38,426
G 0498	Refugee School Impact Grant	C020183	205,174
G 0584	ECHS Smart Scholars	USNYSMARTS	111,875
G 0716	Roch Rehab Career Pathways	RRCCAR1001	314,665
G 0755	SURR Grant	0436100005	318,160
G 0825	Teachers of Tomorrow	0644100012	977,800
<u>MONROE COUNTY PROJECTS</u>			
G 0317	Pre-Sch Intgrtd/Hndcppd	0000916510	902,268
G 0370	Pre-School Related Services	0000920010	448,088
G 0375	Preschool S.E.I.T.	0000913510	152,611
G 0391	Pre-Sch Admin/County	COUNTY0901	369,055
G 0772	MCDSS CAREERS	MCDSS47410	466,000

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ -	\$ 5,413,347	\$ 5,413,347	\$ -	\$ 10,688,553	\$ 10,688,553	\$ (5,275,206)
-	422,077	422,077	-	3,073,279	3,073,279	(2,651,202)
-	834,000	834,000	-	2,244,797	2,244,797	(1,410,797)
-	870,312	870,312	-	5,118,078	5,118,078	(4,247,765)
-	3,146,352	3,146,352	-	6,107,007	6,107,007	(2,960,655)
-	-	-	-	49,176	49,176	(49,176)
-	12,500	12,500	-	10,190	10,190	2,310
-	120,000	120,000	-	120,000	120,000	-
-	89,375	89,375	-	88,758	88,758	617
-	492,681	492,681	-	595,371	595,371	(102,690)
-	8,938	8,938	-	8,385	8,385	553
-	822	822	-	689	689	133
-	21,848	21,848	-	21,229	21,229	619
-	38,426	38,426	-	37,286	37,286	1,140
-	-	-	-	11,124	11,124	(11,124)
-	55,938	55,938	-	-	-	55,938
-	-	-	-	-	-	-
-	94,576	94,576	-	189,676	189,676	(95,100)
-	-	-	-	771,600	771,600	(771,600)
-	366,844	366,844	-	877,704	877,704	(510,860)
-	87,118	87,118	-	318,083	318,083	(230,965)
-	29,172	29,172	-	150,060	150,060	(120,888)
-	-	-	-	366,034	366,034	(366,034)
-	233,000	233,000	-	452,226	452,226	(219,226)

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF NEW YORK STATE AND OTHER AWARDS
PROJECTS OPEN AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	(REVENUE) BUDGET
<u>PRIVATE PROJECTS</u>			
G 0088	COPS Secure our Schools Grant	CITYROCOPS	\$ 70,500
G 0131	GRHF School #34 Grant 2	GRHF341001	74,154
G 0132	GRHF School #12	GRHF121001	190,778
G 0133	GRHF School #34	GRH2863009	6,660
G 0134	Quad A Schools 4 and 34	QUADA43410	142,378
G 0135	GRHF Fitness Fun #52	GRH2856109	7,460
G 0136	GRHF WOW Jefferson	GRH2855709	7,500
G 0409	RAC Center for Math & Science	RACCEN0901	48,000
G 0427	NEA Foundation School #54	NEAFL2506	5,000
G 0474	Dollar General Literacy NARC	DOLGENNARC	3,000
G 0513	The Primary Project	CHILDR1002	133,697
G 0560	UNICON Construction @ Edison	UNICON1001	17,700
G 0581	Exped Learning #58 Grant 1	ELSWOI1001	27,000
G 0582	Exped Learning SWW Travel	ELSSWW1001	6,000
G 0583	IAT Exped Learning	ELSIAT1001	48,000
G 0700	Virtual Enterprise Membership	VIRTUA1001	27,000
G 0725	NCFL Toyota Family Literacy	TOYOTA1001	118,200
G 0742	Cuban/Haitian Entrants	CFCCHES10	34,389
G 0749	Citizenship Initiative Program	OSWEGO1001	14,667
G 0773	Monroe County Transition Servi	MCDHS62090	85,000
G 0795	City of Roch. Jr. Rec. Leader	CITYRO1001	17,239
G 0796	City of Roch. Teens on Patrol	CITYRO1002	36,129
G 0797	City of Roch Summer of Opportu	CITYRO1003	36,244
G 0798	City of Roch Comm Conserv Corp	CITYRO1004	60,338
TOTAL NEW YORK STATE AND OTHER AWARDS - OPEN PROJECTS			<u>\$ 34,225,677</u>

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ -	\$ 49,725	\$ 49,725	\$ -	\$ 49,725	\$ 49,725	\$ -
-	18,078	18,078	-	1,405	1,405	16,673
-	154,250	154,250	-	18,549	18,549	135,701
-	6,660	6,660	-	6,395	6,395	266
-	-	-	-	133,924	133,934	(133,924)
-	7,460	7,460	-	5,988	5,988	1472
-	7,500	7,500	-	7,181	7,181	319
-	48,000	48,000	-	45,568	45,568	2,432
-	5,000	5,000	-	4,242	4,242	758
-	3,000	3,000	-	389	389	2611
-	42,093	42,093	-	125,454	125,454	(83,361)
-	17,700	17,700	-	17,676	17,676	24
-	27,000	27,000	-	13,047	13,047	13,953
-	6,000	6,000	-	5,998	5,998	2
-	48,000	48,000	-	40,851	40,851	7,149
-	20,600	20,600	-	23,254	23,254	(2,654)
-	118,200	118,200	-	43,572	43,572	74,628
-	8,568	8,568	-	33,092	33,092	(24,524)
-	-	-	-	1,986	1,986	(1,986)
-	92,400	92,400	-	84,600	84,600	7,800
-	16,835	16,835	-	16,835	16,835	-
-	35,089	35,089	-	35,089	35,089	-
-	32,268	32,268	-	32,268	32,268	-
-	54,300	54,300	-	54,300	54,300	-
<u>\$ -</u>	<u>\$ 13,156,051</u>	<u>\$ 13,156,051</u>	<u>\$ -</u>	<u>\$ 32,100,694</u>	<u>\$ 32,100,694</u>	<u>\$(18,944,643)</u>

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF NEW YORK STATE AND OTHER AWARDS
PROJECTS OPEN AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010**

(continued next page)

RCSD NO.	ACCOUNT TITLE	GRANT NUMBER	(REVENUE) BUDGET
SCHOOL FOOD SERVICE FUND:			
	N.Y.S. Education Department	---	\$ 516,992
TOTAL NEW YORK STATE AND OTHER AWARDS - CLOSED AND OPEN PROJECTS AND SCHOOL FOOD SERVICE FUND			\$ 70,456,449
TOTAL ROCHESTER CITY SCHOOL DISTRICT PROJECTS			\$ 230,205,874

REVENUES			EXPENDITURES			Net (Accrued) Deferred Revenue
CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	CUMULATIVE 6/30/2009	CURRENT YEAR	CUMULATIVE 6/30/2010	
\$ -	\$ 516,992	\$ 516,992	\$ -	\$ 516,992	\$ 516,992	\$ -
<u>\$ 18,628,876</u>	<u>\$ 25,563,013</u>	<u>\$ 46,191,890</u>	<u>\$ 32,858,517</u>	<u>\$ 32,278,015</u>	<u>\$ 65,136,532</u>	<u>\$ (18,944,643)</u>
<u>\$ 55,724,108</u>	<u>\$ 111,249,862</u>	<u>\$ 166,973,970</u>	<u>\$ 82,210,181</u>	<u>\$ 119,212,899</u>	<u>\$ 201,423,081</u>	<u>\$ (34,449,111)</u>

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES OF FEDERAL, NEW YORK STATE AND
OTHER AWARDS
PROJECT SUMMARY AS OF JUNE 30, 2010
YEAR ENDED JUNE 30, 2010

(continued next page)

	(REVENUE) BUDGET
TOTAL AWARDS - CLOSED PROJECTS	\$ 118,394,137
TOTAL AWARDS - OPEN PROJECTS	116,475,196
TOTAL AWARDS - FOOD SERVICE	15,680,275
TOTAL AWARDS - OPEN PROJECTS & FOOD SERVICE	\$ 132,155,471
GRAND TOTAL	\$ 250,549,608

REVENUES			EXPENDITURES			NET (ACCRUED) DEFERRED REVENUE
CUMULATIVE JUNE 30, 2009	CURRENT YEAR	CUMULATIVE JUNE 30, 2010	CUMULATIVE JUNE 30, 2009	CURRENT YEAR	CUMULATIVE JUNE 30, 2010	
\$ 55,724,108	\$ 51,392,038	\$ 107,116,146	\$ 82,210,181	\$ 24,905,965	\$ 107,116,146	\$ -
-	64,521,282	64,521,282	-	98,970,393	98,970,393	(34,449,111)
-	15,680,275	15,680,275	-	15,680,275	15,680,275	-
\$ -	\$ 80,201,557	\$ 80,201,557	\$ -	\$ 114,650,668	\$ 114,650,668	\$(34,449,111)
\$ 55,724,108	\$ 131,593,596	\$ 187,317,704	\$ 82,210,181	\$ 139,556,633	\$ 221,766,814	\$(34,449,111)

Differences are due to rounding.

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Student Activity Fund



Freed Maxick & Battaglia, CPAs, PC

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 the Statement of Assets and Liabilities Arising from Cash Transactions and Statement of Cash Receipts and Disbursements of the student activity funds of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the years ended June 30, 2010 and 2009. The financial statements are the responsibility of District's management. Our responsibility is to express an opinion on the financial statements based on our audits.

Except as discussed in the following paragraph, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 impracticable to extend our audit of such receipts beyond the amounts recorded.

The District's policy is to prepare the financial statements of the Student Activity Funds on the basis of cash receipts and disbursements as explained in Note 2 to the financial statement, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for any effects of any adjustments which might have resulted had the cash collections been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the recorded transactions of the Student Activity Funds of the District as of and for the years ended June 30, 2010 and 2009, arising from cash receipts and disbursements made during the years then ended, on the basis of accounting described in Note 2.

Freed Maxick & Battaglia, CPAs, PC

Rochester, New York
November 11, 2010

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES - ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2010 AND 2009

	<u>June 30</u> <u>2010</u>	<u>June 30</u> <u>2009</u>
ASSETS		
Cash --		
Elementary Schools	\$ 65,586	\$ 62,315
Secondary Schools	<u>220,036</u>	<u>230,781</u>
Total Assets	<u><u>\$ 285,622</u></u>	<u><u>\$ 293,096</u></u>
LIABILITIES		
Student Deposits --		
Elementary Schools	\$ 65,586	\$ 62,315
Secondary Schools	<u>220,036</u>	<u>230,781</u>
Total Liabilities	<u><u>\$ 285,622</u></u>	<u><u>\$ 293,096</u></u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2010 AND 2009

	June 30	June 30
	2010	2009
RECEIPTS		
Elementary Schools	\$ 199,906	\$ 221,778
Secondary Schools	621,421	590,973
Total Receipts	<u>821,327</u>	<u>812,751</u>
DISBURSEMENTS		
Elementary Schools	196,635	295,136
Secondary Schools	632,166	652,079
Total Disbursements	<u>828,801</u>	<u>947,215</u>
Excess (Deficiency) of Receipts over Disbursements	(7,474)	(134,464)
Cash - Beginning of Year	<u>293,096</u>	<u>427,560</u>
Cash - End of Year	<u><u>\$ 285,622</u></u>	<u><u>\$ 293,096</u></u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2010

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

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