

2012

CAFER



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, 2012*

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, 2012**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

TABLE OF CONTENTS

	Page
<u>INTRODUCTION SECTION</u>	
Transmittal Letter	1-8
Certificate of Excellence and Certificate of Achievement.....	9-10
List of Rochester City School District Officials	11
Rochester City School District Central Office Organization Chart	12
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	15-16
Management's Discussion and Analysis	17-29
Basic Financial Statements (<i>the notes to the financial statements are an integral part of the Basic Financial Statements</i>):	
Government-Wide Financial Statements:	
Statement of Net Assets	31
Statement of Governmental Activities	32
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	33-34
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	37-38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Governmental Activities.....	39
Fiduciary Fund Statements:	
Statement of Fiduciary Net Assets	40
Statement of Changes in Fiduciary Net Assets.....	41
Notes to Financial Statements.....	42-68
Required Supplementary Information:	
Schedule of Funding Progress for Retiree Health Plan.....	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – General Fund.....	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Special Aid Fund.....	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – School Food Service Fund	74
Supplemental Financial Statements and Schedules:	
Schedule of Revenues, Other Sources, Expenditures, and Other Uses, Budget and Actual (Non-GAAP Budget Basis) – General Fund	76-78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Debt Service Fund.....	79
Summary Schedule of Project Expenditures – Capital Projects Fund	80

TABLE OF CONTENTS

Page

STATISTICAL SECTION

Net Assets by Component – Last Ten Fiscal Years.....	84
Changes in Net Assets, Governmental Activities – Last Ten Fiscal Years	85-86
Fund Balances, Governmental Funds – Last Ten Fiscal Years	87-88
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	89-90
Assessed Value and Estimated Actual Value of Taxable Real Property – Last Ten Fiscal Years	91
Property Tax Rates Per Thousand, Direct and Overlapping Governments – Last Ten Fiscal Years	92
Principal Property Taxpayers – Current Fiscal Year and Nine Years Prior.....	93
City of Rochester Property Tax Levies and Collections – Last Ten Fiscal Years	94
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	95
Direct and Overlapping Debt as of June 30, 2012	96
Legal Debt Margin Information – Last Ten Fiscal Years	97
Pledged-Revenue Coverage – Last Ten Fiscal Years	98
Demographic Economic Statistics – Last Ten Fiscal Years	99
Principal Private Sector Employers in the Rochester Area – Current Year and Nine Years Prior.....	100
Budgeted Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years	101
Operating Statistics – Last Ten Fiscal Years	102
School Building Information – Last Ten Fiscal Years	103-104

SINGLE AUDIT REPORTS

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107-108
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.....	109-110
Schedule of Expenditures of Federal Awards.....	111-113
Notes to Schedule of Expenditures of Federal Awards	114
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2012	115-116
Schedule of Prior Year Findings and Questioned Costs for the Year Ended June 30, 2012	117

STUDENT ACTIVITY FUND

Independent Auditor’s Report	119
Statement of Assets and Liabilities Arising from Cash Transactions	120
Statement of Cash Receipts and Disbursements	121
Notes to Financial Statements	122

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INTRODUCTION





Rochester City School District

Superintendent of Schools

Bolgen Vargas

December 13, 2012

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, 2012. 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, CPAs, PC an independent firm of certified public accountants. The purpose of an independent audit is to express an opinion regarding whether the financial statements are fairly stated. The independent auditor's report is presented in the financial section of this report and renders an unqualified opinion on the District's financial statements for the fiscal year ended June 30, 2012.

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 2011-12 school year, the District reported the following enrollments: 16,949 elementary (K-6) and 13,744 secondary (7-12), for a total of 30,693 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 2011-12, the District paid charter schools a total of approximately \$27.1 million from its general fund. Charter schools receiving payments were: Discovery Charter School, Eugenio Maria de Hostos Charter School, Genesee Community Charter School, Rochester Academy Charter School, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School West Campus, Urban Choice Charter School and University Preparatory 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, 2011 to June 30, 2012:

1. The City shall provide to the District the sum of one hundred nineteen million one hundred thousand dollars (\$119,100,000) for operational purposes.
2. The limitation of nine percent (9%) for indebtedness, as set forth in § 4 of Article VIII of the Constitution of the State of New York, shall be allocated on the basis of five and one-half percent (5-1/2%) for municipal indebtedness as determined by the City Council and three and one-half percent (3-1/2%) for indebtedness for educational purposes as determined by the Board of Education.

3. The Board of Education shall, upon the date set by law and Charter, submit to the Mayor of the City an itemized budget for the ensuing fiscal year whose expenditures shall not exceed revenues provided by the above distribution plus revenues estimated to be allocated to the District by the state or federal government.
4. The annual budget of the District submitted by the Board of Education shall contain an amount for cash capital of at least ten million dollars (\$10,000,000).

The District's financial statements include the financial statements of the Rochester Joint School Construction Board (RJSCB) as a blended component unit. The RJSCB is authorized by the State of New York, Chapter 416 of the Laws of 2007 to undertake construction projects associated with school modernization. The RJSCB is dependent on the District to provide funding for these projects, the majority of which will be repaid by the District with state aid, as well as a local share of District funds.

The District's 2011-12 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, 2011 and ending on June 30, 2012.

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 3}

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, with over 20,000 employees in the local area.

The City is engaged in economic development services that provide expanding and relocating businesses with technical assistance and financing through several business loan and grant programs. Many economic development activities in the City are centralized, providing greater convenience to businesses needing assistance. The City staffs the local development corporation, Rochester Economic Development Corporation, the City's Renewal Community Zone, and the State Empire Zone.

Sources:

- 1 The City of Rochester, New York, Official Statement dated August 15, 2012
- 2 The Bureau of Labor Statistics
- 3 National Association of Realtors

The Rochester area has long been considered to have a stable economy, especially when compared to other northeast and north-central metropolitan areas. Historically, the unemployment rate has also been lower than New York State as a whole. The unemployment rate for the Rochester area as of June 2012 was 8.4%, as compared to 8.2% nationally, and 8.9% for New York State. The median home price in the Rochester area is \$122,500 as compared to the national median of \$188,800. The cost of living in Rochester is also less than the national average. The City of Rochester economy generally tends to be less volatile than the national economy and often responds to the national trends on a six-to-eight month lag.

Projected Enrollment

The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total enrollment over the next four years by approximately 1,570 students, with enrollment projected to rise gradually throughout the next five years by approximately 17 students per year until declining again in the last year of the projection period. The decline in District enrollment that began after 1997-98 can be attributed to the decrease in live births and the overall decline in the population of the City of Rochester. Rochester's population is estimated to have fallen to 210,565 in 2010, a decline of 4.2% over the decade. The enrollment decline accelerates with the opening of charter schools, as two new schools that will draw Rochester students will be opening in at the start of the 2012-13 school year. Additionally, a parochial school (Holy Cross) is reopening in the Charlotte area. This school is likely to attract students from inside and outside the city limits.

Age of School Buildings

The School District maintains over 7.03 million square feet in 58 facilities. The District owns 51 educational and 3 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 67 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 12 school buildings for significant renovations and upgrades over the next 5 years.

Age of School Building	Elementary	Secondary	Total
Under 20	2	3	5
20 to 39	2	1	3
40 to 59	13	4	17
60 to 79	1	1	2
80 and over	19	5	24
Total	37	14	51
<i>Oldest Building = 114; Average Age = 67</i>			

The District operates 15 schools which have some portion of the building that is at least 90 years old. The average age of the 15 oldest schools in the District is 100 years old, each having been built between 1898 and 1921.

The District uses industry standards including information from McGraw-Hill Construction and School Planning & Management as well as its own historical data as a guide to determine the correct allocation of funds for long-term facility renovation and maintenance of District facilities. In order to maintain facilities in the present condition, an annual investment of 1.5% to 3% of building replacement value needs to be committed to the space managed by the District. Based on the information from industry sources, our facilities have a forecasted replacement value of approximately \$300 per square foot, or an estimated total replacement value of \$1.95 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 \$29 and \$59 million in annual renovation and maintenance costs through capital renovations or on-going maintenance expenditures.

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

Financing of capital projects occurs through either of two means: a direct appropriation of cash capital from the current operating budget or by borrowing funds through the issuance of notes and bonds. The District pays for 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 current CIP approved by the District's Board of Education identifies targeted facility renovations for 2011-12 to 2015-16. Funds have been earmarked for continuing specific program initiatives such as:

- *Building Security and Fire Alarm System Upgrades* – \$2.0 million has been allocated to specifically address needed upgrades to security camera systems and modernizing the fire alarm network. This is in addition to what was included in last year's program.
- *Academic Improvement Initiatives* – This capital program allocates \$8.8 million for academic improvement initiatives that are planned to support the Superintendent's vision for the District such as addressing changes at schools that are adding grades 7 and 8 and newly opened schools within the District's existing facilities.
- *Long-term Facility Improvements and Code Compliance Projects* – Approximately \$10.7 - \$13.3 million is scheduled for long-term facility upgrades annually over the next five years to address ongoing maintenance, repairs and regulatory compliance projects.

The City of Rochester is concerned about New York State legislation associated with the Maintenance of Effort ("MOE") that the City must provide in funding support to the District. The City has been willing to provide the same annual funding amount to the District (\$119,100,000). But the way the MOE legislation is currently written, if the local share amount of debt service paid by the District for construction improvements increases, the City could be required to increase its funding support to the

District by the corresponding amount. This could result in the City being required to fund more than \$119,100,000 in support to the District. Due to budget constraints by the City, in an effort to minimize its potential exposure to additional funding support to the District, the City has taken the position it will not continue to borrow funds for the District to support the District's CIP program until an acceptable resolution to the MOE legislation can be worked out. As a result, the normal annual CIP funding did not occur in fiscal year 2011-12 as planned by the District. The MOE legislation continues to remain an impediment for the District to obtain City approval for its CIP funding.

The District is also 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 through its CIP program. Since the FMP legislation has passed, a Rochester Joint School Construction Board (RJSCB) has been formed to act as an agent on behalf of the District and City of Rochester to oversee the administration of the program. They have hired a program management firm (Gilbane Building Company) to oversee the implementation of the plan as well as the individual renovation projects. The governing board has and will continue to conduct a community-based planning process to identify the twelve schools that will be included in the first of three project phases. Phase I will include \$325 million in funding and will last five years. The full three-phase program will span fifteen years and cost approximately \$1.2 billion.

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

In fiscal 2011-12, the RJSCB initially received \$28,770,000 in Bond Anticipation Note funding to support the initial program planning, project design and architectural services for the FMP program. Later in fiscal 2011-12, the RJSCB obtained \$124,100,000 in Bond funding to retire the Bond Anticipation Note and to fund the first six schools to be renovated under Phase I of the FMP program.

Major Initiatives

The Rochester City School District embraces its ethical responsibility to ensure each student's readiness for college, career, and responsible citizenship. As part of this goal, the District believes that all children will learn with the commitment of time, support and hard work. Every employee, student, family and community member plays an integral role in student learning.

The District's priorities for 2012-13 are:

Student Achievement - Helping our children to succeed is the driving principle behind every action we take. Our students are not achieving to their potential. We must help them to do better. More than 30,000 children – an entire generation of Rochester's young people – are depending on us. We are taking many steps to improve student achievement, based on three drivers of success:

- Increase time on task for students through extended hours
- Improve performance of schools
- Make central office more responsive and more accountable for student achievement

Allocation of Resources – A budget is a reflection of an organization's priorities. Our priorities are students and staff. We are focusing resources on those priorities by:

- Reducing central office staff
- Deploying central office staff as substitutes
- Cutting consultants, contracts, travel, printing
- Auditing health benefits
- Reducing space we lease by effectively using the space we have

Communication – We need to make the entire District experience better – for families, students, employees and the community – by becoming an organization focused on customer service and easy interaction. The goal is simply not to put out more information; the goal is to communicate clearly and honestly about the District's situation.

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 2011-12 was \$163,496. The weighted average yield to maturity of purchases by the General Fund was .25% for both 2011-12 and 2010-11.

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 auditor's opinion is included in this report.

AWARDS AND ACKNOWLEDGEMENTS

For the past twenty-three 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, 2011. This was the twenty-second 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

Comprehensive Annual Financial Report
Year Ended June 30, 2012
President, Board of Education Members
December 13, 2012

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

Respectfully submitted,



Dr. Bolgen Vargas, Ed. D.
Superintendent



William Ansbrow
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, 2011

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.



Linda C. Sandson

President

Jeffrey R. Emer

Executive Director

Association of School Business Officials International



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

Rochester City School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

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



Brian L. Mee, SFO, RSBA
President

John D. Musso, CAE, RSBA
Executive Director

List of Rochester City School District Officials As of June 30, 2012

MEMBERS OF THE BOARD OF EDUCATION

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

MANAGEMENT CABINET

Bolgen Vargas	Superintendent of Schools
Lori Baldwin	Director of Security Operations
Beverly Burrell-Moore	Deputy Superintendent of Teaching & Learning
Anne Brown-Scott	Chief of Schools (North West Zone)
Bethany Centrone	Chief of Human Capital Initiatives & Labor Relations
Vernon Connors	Acting Chief Financial Officer
Linda Dunsmoor	Coordinating Director of Communications
Larry Ellison	Principal, School #33
Shirley Green	Executive Director of Specialized Services
Charles Johnson	General Counsel
Sandy Jordan	Secondary Principal
Annmarie Lehner	Information Technology Officer
Deasure Matthew	Chief of Schools (South Zone)
Vacant	Deputy Superintendent of Administration
Shaun Nelms	Chief of Schools (North East Zone)
Gladys Pedraza-Burgos	Chief of Youth Development & Family Services
Vicma Ramos	Executive Director of Student Equity & Placement
Anibal Soler, Jr.	Principal, East High School
Jerome Underwood	Senior Director of Operations
Vacant	Chief of Staff



Rochester City School District

Board of Education

Superintendent of Schools

General Counsel

Chief of Staff

Office of School Innovation

Department of Communications

Deputy Superintendent
for Teaching and Learning

Chief of Human
Capital Initiatives

Chief of Youth Develop-
ment and Family Services

Chief of Accountability

Acting Chief
Financial Officer

Senior Director of
Operations

Information Management
and Technology Officer

Director of Safety
and Security

Zone Chiefs

Recruitment and Diversity
Labor Relations
Human Capital Initiatives
Benefits

Adult and Career
Educational Services
Community Partnerships
Human Services Systems
Parent Engagement
School Counseling
Social Work
Student Health Services
Youth Development and
Attendance

Testing
Compliance
Accountability
Planning
Data
Management
Supplemental
Educational Services
Student Placement

Budget
Financial Management
Accounting
Payroll
Accounts Payable
Procurement
Medicaid
Grants

Facilities
Transportation
Food Service

Technology
Operations and Security
Network and
Telecommunication Services
Student Enterprise Applications
Business Enterprise Applications

Emergency Management
Safety and Security
Investigations/Professional
Standards
Guards
School Safety Officers
Security Patrol
Student Hearings

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FINANCIAL





Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the blended component unit, each major fund and the aggregate remaining fund information of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2012, 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, the blended component unit, and each major fund and the aggregate remaining fund information of the District, as of June 30, 2012 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 28, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for retiree health plan and budgetary comparison schedules on pages 17 through 29, 71 and 72 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The supplemental schedules, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organization (Circular A-133)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, and the schedule of expenditure of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rochester City School District's basic financial statements. The other accompanying information, such as the introductory and statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Freed Maxick CPAs, P.C.

Rochester, New York
November 28, 2012

 **FreedMaxick**TM CPAs, P.C.

**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, 2012. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2012 by \$83,247,583; a decrease of \$8,487,934 as compared to the prior year. Significant increases for contractual benefits and salaries, postemployment health insurance, Charter School tuition, and transportation costs were offset by revenues recorded for bonds issued to pay for school improvements associated with the Facilities Modernization Plan. For more information on these topics, 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 \$189,854,673 an increase of \$120,134,959, in comparison with the prior year. The primary reason for such a significant increase was the issuance of bonds in the amount of \$124,100,000 which will be used to pay for construction costs associated with the renovation and improvement of six schools as part of Phase I of a three-phase Facilities Modernization Plan.
- At the end of the current fiscal year, the unassigned portion of the fund balance for the general fund was \$19,188,648 or 3.2% of total budgeted general fund expenditures of \$599,516,796 for 2012-13.

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).

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

Both of the government-wide financial statements present functions of the District that are principally supported by state and federal aid and intergovernmental revenues (*governmental activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services and interest on debt. The government-wide financial statements can be found on pages 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 demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special aid fund, school food service fund, debt service fund, capital projects fund, and Rochester Joint School Construction Board fund, all of which are considered to be major funds.

The District adopts an annual appropriations budget for its general fund, special aid fund, school food service fund, and debt service fund. Budgetary comparison schedules have been provided for the general fund, special aid fund and school food service fund with adopted budgets to demonstrate compliance with the budget. These schedules are presented in the 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 42-68 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 \$83,247,583 at the close of the most recent fiscal year.

A positive portion of the District's net assets in the amount of \$226,080,564 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 are still outstanding. The District uses these capital assets to provide services to its students and citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net deficit of \$142,832,981 reported at June 30, 2012 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	2010-11	2011-12
Current and other assets	\$ 174,293,464	\$ 296,205,887
Capital assets (net of accumulated depreciation)	405,597,316	400,525,327
Total assets	579,890,780	696,731,214
Long-term liabilities outstanding	380,959,996	493,691,942
Other liabilities	107,195,267	119,791,689
Total liabilities	488,155,263	613,483,631
Invested in capital assets, net of related debt	224,868,075	226,080,564
Unrestricted (Deficit)	(133,132,558)	(142,832,981)
Total net assets	\$ 91,735,517	\$ 83,247,583

"Current and other assets" increased by approximately \$121.9 million during fiscal year 2011-12. Cash and cash equivalents increased by approximately \$144 million due to the receipt of the proceeds of the 2012 Series A and B bonds, including premiums. These bonds were issued in June of 2012. The significant increase in cash was offset by a reduction in amounts due from other governments at year end of approximately \$24.0 million. Of this \$24.0 million reduction, \$16.0 million is attributable to the receipt timing of a Lottery Advance due to the District on or about June 30th of each year. The remaining decrease is primarily attributable to the decrease in grant funding due to the District at June 30, 2012.

"Capital assets (net of accumulated depreciation)" decreased by approximately \$5.1 million during fiscal year 2011-12 due to the outpacing of depreciation in relation to capital asset additions that were recorded during the fiscal year.

"Long-term liabilities outstanding" increased by \$112.7 million overall, as compared to the prior year, as mentioned previously, \$144 million in bonds payable and associated premiums were issued in June 2012. In addition to the cash (asset) increase as a result of this bond issuance, corresponding liabilities were recorded for this same amount. This increase was offset

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

by decreases due to scheduled amortized payments on Special Revenue Bonds, Early Retirement Incentive Costs, and the Lottery Aid Advance.

The \$12.6 million increase in "Other liabilities" was primarily due to increased retirement system costs of \$6.4 million due to rate increases for both the New York State Teachers' and Employees' Retirement Systems. Notes Payable (BANs) increased by \$9.8 million as compared to the prior year. A bond premium of \$10.5 million was recorded as a liability during fiscal 2011-12 in association with the issuance of the Facilities Modernization Plan; this premium will be amortized over the life of the bond – 10 years. These notes will be used to finance construction and improvements. These increases were offset by reductions of \$14.2 million in accounts payable and accrued liabilities due to payment timing differences at fiscal year end.

As mentioned previously, the unrestricted deficit of \$142,832,981 reported at the end of fiscal year 2011-12 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	2010-11	2011-12
Revenues		
Program revenues:		
Charges for services	\$ 2,064,013	\$ 2,494,163
Operating grants and contributions	107,490,316	103,192,159
General revenues:		
State & Federal Aid	381,842,297	396,973,771
Intergovernmental	119,100,000	119,100,000
Lottery Aid	63,411,761	59,355,281
Other	7,767,001	7,399,730
Total Revenues	681,675,388	688,515,104
Expenses		
General Support:		
Board of Education	845,542	937,364
Chief School Administrator	2,935,381	823,745
Finance	6,446,125	5,624,636
Staff	7,813,587	6,337,641
Central Services	74,794,471	71,636,605
Other	5,533,657	6,461,292
Total General Support	98,368,763	91,821,283
Instruction:		
Administration and Improvement	76,115,320	66,516,877
Teaching	444,285,066	422,176,283
Instructional Media	12,127,840	9,361,416
Pupil Services	32,369,551	36,379,149
Total Instruction	564,897,777	534,433,725
Pupil Transportation	60,056,572	59,602,833
Community Services	7,143,070	3,642,674
Interest Long-Term Debt	8,283,576	7,502,523
Total Expenses	738,749,758	697,003,038
Increase (decrease) in net assets	(57,074,370)	(8,487,934)
Net assets - Beginning	148,809,887	91,735,517
Net assets - Ending	\$ 91,735,517	\$ 83,247,583

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

Program revenues for charges for services increased by approximately \$.4 million from fiscal year 2010-11 to 2011-12 due to increased funds received from the State and Federal governments for the subsidy of meals as well as increases in reimbursable tuition billed to other school districts.

Program revenues from operating grants and contributions decreased by approximately \$.4.3 million. The increase is primarily due to the phase-out of funding received from the American Recovery and Reinvestment Act of 2009.

"State and Federal Aid" increased by approximately \$15.1 million, primarily due to increases in State Basic Formula aid of \$18.4 million. The amount of State Aid allocated to the District each year is determined by the State of New York. This increase was offset primarily by reductions in ARRA funds, which were issued by the Federal governments as part of the American Recovery and Reinvestment Act of 2009 and were allocated to school districts for purposes of strengthening education, driving school reform and assisting at-risk and disabled students. These funds were awarded in fiscal 2009-10 and were phased out in subsequent years.

"Lottery Aid" decreased by approximately \$.4.1 million as compared to the previous year. The amount of Lottery aid awarded to the District each year is determined by the State and is also affected by lottery sales from year to year.

Expenditures in the "Chief School Administrator" category decreased by approximately \$.2.1 million as compared to the previous year. This decrease is primarily attributable to the reduction of 8 FTE staffing positions in this area and associated benefit costs. These positions were reallocated to other programs. Similarly, expenses in the "Finance" categories decreased overall by approximately \$.8 million due to the reduction of 3 FTE staffing positions and associated benefit costs.

As part of the 2011-12 budget, the District better aligned its resources to provide the best education in the safest environment possible and in the most economical way for all of our students. As staff positions were reclassified amongst programs, or eliminated due to budgetary constraints or early retirements, expenditures within these programs were reduced proportionately for long term liabilities such as retirees' health insurance, compensated absences, early retirement incentives, claims payable, etc. These factors were the primary drivers of the following expenditure decreases from 2010-11 to 2011-12 on a government-wide basis for the following programs: "Central Services" decreased by approximately \$.3.2 million, "Community Services" decreased by approximately \$.3.5 million, "Administration and Improvement" decreased by approximately \$.9.6 million, "Teaching" decreased by approximately \$.22.1 million and "Instructional Media" decreased by \$.2.8 million.

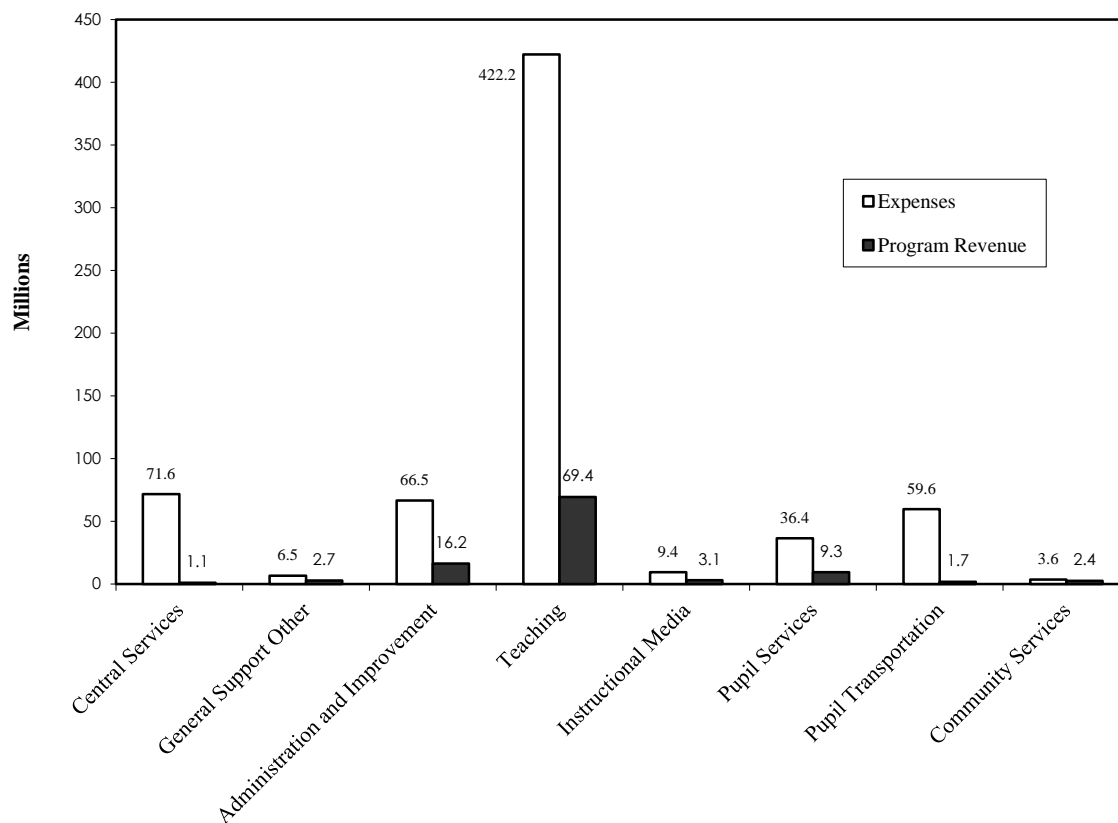
"Pupil Services" increased by \$.4.0 million, primarily due to the reclassification of social workers from the "Community Services" program to "Pupil Services".

During 2011-12, "Community Services" expenses decreased by approximately \$.3.5 million as compared to the previous year. As social workers were reclassified from community services to pupil services and ARRA funding was phased out, a proportionate amount of long term liabilities such as retirees' health insurance, compensated absences, early retirement incentives, etc. were also reclassified or eliminated, causing a substantial decrease in expenditures for this program.

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

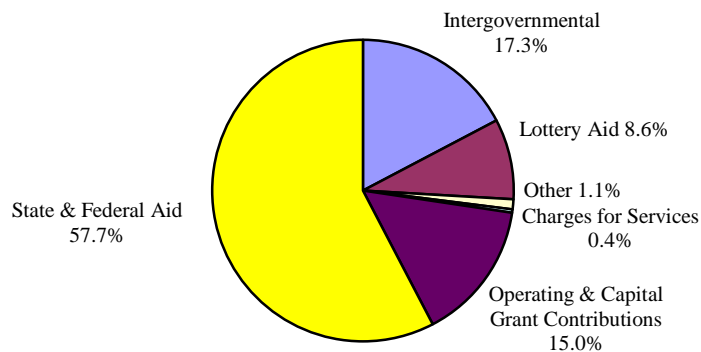
“Interest on Long-Term Debt” decreased by approximately \$.8 million as compared to the previous year. Fluctuations in interest repayments occur due to the structure and timing of outstanding debt amortization.

Expenses and Program Revenues – Governmental Activities*



*Excludes expenses for programs which do not have any associated revenue

Revenues by Source – Governmental Activities



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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental fund balance of funds reported a combined ending fund balance of \$189,854,673, an increase of \$120,134,959 from the prior year's fund balance of \$69,719,714. Components of the fund balance consist of a nonspendable fund balance of \$6,900,526, a committed fund balance of \$32,588,485, an assigned fund balance of \$140,404,650 and an unassigned fund balance of \$9,961,012. The nonspendable fund balance is the portion of the fund balance that cannot be spent because of its form, such as inventory, or that will never be converted to cash, and prepayments. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

The primary reason for the increase of approximately \$120.1 million in the combined ending fund balance is that bonds were issued during the fiscal year in the amount of \$124,100,000, net of issuance proceeds, to offset future expenditures for capital outlay in association with the Facilities Modernization Program (FMP). For additional information on the FMP, see Note V.D. of this report.

General Fund

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District had \$6,589,163 for prepayments in the nonspendable fund balance, \$32,588,485 of committed fund balance, \$21,995,142 of assigned fund balance and \$19,188,648 of unassigned fund balance. The assigned portion represents 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 assigned and unassigned portions of the general fund balance to the total fund expenditures (excluding transfers out) within a given year. In 2011-12, assigned and unassigned balances totaled \$41,183,790 and were approximately 7.8% of the total fund expenditures of \$527,623,556.

In the aggregate, revenues and other financing sources increased by 2.0% while expenditures and other financing uses decreased by less than 1% from fiscal year 2010-11 to fiscal year 2011-12. The net effect of these changes increased the fund balance of the general fund by \$8,670,429, as compared to the previous year's balance.

Revenues from local sources increased approximately \$0.4 million from the previous fiscal year. This increase is primarily attributable to a 27.3% increase in the District's tutoring rates

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

from 2010-11 to 2011-12 which are charged to other District's whose students are enrolled in certain RCSD programs.

Revenues from State sources increased by approximately \$18.9 million during fiscal year 2011-12 primarily due to increases in New York State Basic Formula aid payable under New York State Education Law 3609a. The allocation of Basic Formula aid is determined annually by the State of New York, and is based on the State's financial position in any given year.

Federal sources decreased by approximately \$8.6 million as compared to the prior year, as a result of the phase-out of Federal Fiscal Stabilization (ARRA) funds. As mentioned previously, ARRA funds were issued by the Federal government as part of the American Recovery and Reinvestment Act of 2009 and were allocated to school districts for purposes of strengthening education, driving school reform and assisting at-risk and disabled students. Funds were phased out in subsequent years.

Generally, the District was able to maintain nominal increases of 2.7% 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 – Staff" decreased by approximately \$0.9 million or 12.8%. The primary reason for this decrease was a reclassification of agency clerical (temporary) staff to account for these staff in their respective programs in 2011-12, as opposed to a centralized program in General Support.

Expenditures for the category "General Support – Other" decreased by approximately \$1.0 million or 8.5%. This occurred due to restructuring and streamlining in the central administration departments.

Pupil Transportation expenditures increased by approximately \$3.7 million or 7.0% as compared to the previous year. This was primarily due to increases in benefits, fuel cost increases of approximately \$0.38 per gallon as compared to the prior year, increases in contract transportation and two additional operating days in 2011-12.

Community services expenses decreased by \$0.9 million, or 44.7%, during fiscal 2011-12 as compared to the previous year. The primary reasons for this decrease were a reduction in ARRA funding of approximately \$0.1 million as compared to the prior year and a reclassification of instructional salaries of approximately \$0.4 million from community services in 2010-11 to pupil (social work) services in 2011-12.

Debt service payments of principal and interest decreased by approximately \$1.1 million or 19.3%, collectively. This was primarily due to decreases in scheduled amortization for the Energy Performance Contract debt, as well as installment purchases for copiers.

Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2010-11 to fiscal year 2011-12, as the Special Aid fund maintains a "zero" fund balance from year to year. However, total revenues and expenditures in the aggregate from fiscal year 2010-11 to fiscal year 2011-12 decreased by approximately \$3.4 million, or 3.1% overall. This decrease is primarily attributable to ending of various types of ARRA funding, such as Title I and IDEA.

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

School Food Service

Revenues increased by approximately \$0.9 million, or 5.5% in the School Food Service fund during fiscal 2011-12 as compared to the prior year, while expenses increased by approximately \$.5 million, or 3.0%. The fund balance decreased by \$536,439 at the end of fiscal year 2011-12. The increase in revenues is primarily attributable to additional services provided to the City of Rochester for summer programs and increased meal participation.

The increase in expenses between fiscal years 2010-11 and 2011-12 is primarily due to the cost of additional meals served and contractual salary and benefit increases contractual salary increases and significant rate increases; ERS rates increased from 11.56% to 16.06% between years.

Debt Service

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

No fund balance existed in the Debt Service fund at the end of fiscal 2011-12. Any balance in the Debt Service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned on existing, unused debt proceeds during the year. These earnings are transferred to the District's general operating fund and are used for repayment of future debt service requirements.

Capital Projects

The capital projects ending fund balance for fiscal year 2011-12 decreased by approximately \$9.0 million from the prior year's ending fund balance. The reduction in fund balance is the net result of recording approximately \$10.0 million in revenue for the period, whereas, approximately \$19.0 million was recorded in expenditures. It is normal for the Capital fund to show a fund balance decrease as capital projects are funded with bond anticipation notes, which will be converted to bonds when the final project costs are known and when long-term rates are most favorable, minimizing interest costs for the District. Later, when the BANs are converted to bonds, the revenue is recognized. There were no such conversions in fiscal year 2011-12.

Expenditures decreased by approximately \$1.0 million as compared to the prior year. The decrease was primarily due to a minor decrease in the scope of work on various other capital construction projects due to the progression of alternate projects under the Facilities Modernization Program.

Rochester Joint Schools Construction Board (RJSCB)

Under the provisions of GASB Statement No. 61, the RJSCB is presented as a blended component unit of the District. The fund balance of the RJSCB increased over the prior year by \$120.1 million dollars due to the revenue associated with the issuance of bonds in the amount of \$124.1 million less the expenditures for capital outlay in the amount of \$13.6 million. These bonds will be used to finance construction costs for six schools during the first of three phases of the Facilities Modernization Program. The RJSCB recorded capital expenditures of \$2.9 million for the fiscal year 2010-11, as compared to approximately \$13.6 million in expenditures during

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

2011-12. The significant increase in expenditures of \$10.7 million, or 370%, is due to the increased design costs associated with the planning stages of the construction program which will begin in the summer of 2012.

Budgetary Highlights – General Fund

The original 2011-12 budget was increased/amended by \$4,757,727 as follows:

<u>Revenues</u>	
Local Sources	\$ (808,670)
State Sources	3,866,397
Federal Sources	700,000
	<hr/> 3,757,727
Other Financing Sources - Transfers In	1,000,000
Appropriated Fund Balance	-
	<hr/> <u>\$ 4,757,727</u>
<u>Expenditures</u>	
General Support	\$ (1,824,878)
Instructional	3,676,228
Pupil transportation	4,268,150
Community services	(11,393)
Employee benefits	(2,654,381)
Debt service	(510,175)
	<hr/> 2,943,551
Other Financing Uses - Transfers out	1,814,176
Fund Balance Reserve	-
	<hr/> <u>\$ 4,757,727</u>

Budgetary Highlights – General Fund

Significant changes between the original and final amended budgets for general fund revenues occurred primarily due to increases in State funding sources. State Sources increased by approximately \$3.9 million due to increases of \$1.5 million for Special Services Aid, \$1.9 million for Chapter 42 Rochester School for the Deaf Aid, and \$0.4 million in a prior year aid adjustment for students in Group Home Facilities. The \$1.9 million increase for Chapter 42 Rochester School for the Deaf students was due to a mid-year shift of this funding from New York State to the District and was offset by a like increase in Special Education tuition. Previously, New York State paid this aid directly to the Rochester School for the Deaf. Other financing sources (transfers in) increased by \$1.0 million due to the early pay down of debt associated with surplus funds borrowed for the Ryan Center recreational facility construction.

The most significant general fund expenditure budget changes occurred in the General Support, Instructional, Pupil Transportation and Employee Benefits categories. General Support decreased by \$1.8 million due to reductions in Administrative staff, Information System maintenance contracts, and Grant adjustments and disallowances. The budget for instructional expenditures increased by approximately \$3.7 million due to the restoration of instructional staff during the year and the mid-year shift of the Rochester School for the Deaf from New York State to the District. The Pupil Transportation expenditure budget increased by \$4.3 million due to

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

additional bus routes required to service new Charter Schools and expanded after school and summer programs. The budget for employee benefits decreased by \$2.7 million primarily due to reductions in unemployment insurance related to the restoration of FTEs during the year.

Final Budget to Actuals – General Fund

Several general fund expenditure categories experienced significant favorable variances between the final budget and actual expenditures. Most of these categories all fall within the Instructional group: Teaching Regular School, Special Apportionment Programs and Other Instructional costs. The favorable variances in Teaching Regular School were the result of reduced spending in instructional materials and textbooks; in Special Apportionment Programs due to lower Special Education tuition costs, and in Other Instructional due to reduced spending in administrative salaries, athletic program costs, and health services provided by BOCES.

Other significant favorable variances occurred in the category of General Support – Central Services and Employee Health Insurance. The favorable variances in Central Services were the result of reductions in custodial and construction services, reduced rental costs, and natural gas due to lower prices and the milder winter. The favorable variance in Employee Health Care is due to a lower than expected rate increase in January which resulted in significant savings over the budget.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2012 amounted to \$400,525,327 (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 \$5,071,989.

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

- Ongoing repairs and improvements. Asset additions of \$20.9 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 repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.
- The Rochester Joint Schools Construction Board (RJSCB) received their initial construction financing for school improvements this year. The RJSCB incurred project expenditures of approximately \$13.6 million during fiscal 2011-12 mainly for design and architectural services associated with the construction and renovation of six school buildings as a part of the Rochester School Modernization Program. The initial six buildings will be renovated over the next three years with a current project budget appropriation amount of \$142.9 million.

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

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

	<u>2010-11</u>	<u>2011-12</u>
Land	\$ 17,439,068	\$ 17,439,068
Buildings & Improvements	363,736,837	352,830,168
Equipment & Other	16,663,031	14,151,813
Construction in Progress	7,758,380	16,104,278
Total	<u><u>\$ 405,597,316</u></u>	<u><u>\$ 400,525,327</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 \$262,655,400 which was backed by the full faith and credit of the City of Rochester.

	<u>2010-11</u>	<u>2011-12</u>
Governmental Activities		
General Obligation Bonds	\$ 152,489,769	\$ 262,655,400

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

The 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, 2012 was \$206,455,928, leaving a debt contracting margin of \$32,738,528.

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

Economic Factors and Next Year's Budgets and Rates

The District is located within the City of Rochester (Rochester). Rochester struggles to maintain a strong economy even though its major employers have gone through significant downsizing. Local economic challenges are further impacted by New York State's struggle to respond to its own budget deficit. The District began the 2012-13 budget planning process with a projected \$44 million deficit. This deficit was balanced through an \$18 million increase in State Aid, the use of \$15 million in appropriated funds and \$11 million in program and staffing efficiencies. Despite these program and staffing efficiencies, the District continues to experience rising costs. Major increases planned for the 2012-13 fiscal year include an \$8.2 million increase in contractual salaries, a \$9.2 million in employee benefits, which includes projected rate increases for health insurance of 10% as well as significant contribution rate increase for the Teachers' and Employees' retirement systems, Charter School tuition increases of \$5.7 million and transportation increase of \$1.7 million. As part of its struggle to meet these growing costs, the District is currently reviewing alternatives to adjust staffing, employee benefits and contractual goods and service costs from providers.

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

General Fund

The 2012-13 original budget of \$599,516,796 represents an increase of approximately 5.3% from the 2011-12 amended budget of \$569,285,474. The increase is attributable to contractual salary and benefit increases, as well as significant operating increases in Charter School tuition and student transportation costs.

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.

BASIC FINANCIAL STATEMENTS

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 245,251,787
Accounts Receivable	1,428,668
Due from Other Governments	42,749,955
Prepayments and Deposits	6,770,994
Inventories	4,483
Capital Assets (net of accumulated depreciation):	
Land	17,439,068
Buildings & Improvements	352,830,168
Equipment & Other	14,151,813
Construction In Progress	16,104,278
Total Assets	\$ 696,731,214
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 33,023,489
Due To Fiduciary Funds	2,444,241
Due To Other Governments	2,885,702
Due To Retirement Systems	33,812,049
Unearned Revenue	1,957,200
Notes Payable - BANs	35,162,000
Bond Premium, Net of Accumulated Amortization	10,507,008
Noncurrent Liabilities:	
Due Within One Year	30,890,281
Due in More Than One Year	462,801,661
Total Liabilities	\$ 613,483,631
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 226,080,564
Unrestricted (Deficit)	(142,832,981)
Total Net Assets	\$ 83,247,583

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, 2012**

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	\$ 937,364	\$ -	\$ -	\$ (937,364)
Chief School Administrator	823,745	-	-	(823,745)
Finance	5,624,636	-	-	(5,624,636)
Staff	6,337,641	-	-	(6,337,641)
Central Services	71,636,605	954,589	94,547	(70,587,469)
Other	6,461,292	-	2,716,812	(3,744,480)
Total General Support	91,821,283	954,589	2,811,359	(88,055,335)
Instruction:				
Administration and Improvement	66,516,877	-	16,155,914	(50,360,963)
Teaching	422,176,283	1,539,574	67,806,134	(352,830,575)
Instructional Media	9,361,416	-	3,050,107	(6,311,309)
Pupil Services	36,379,149	-	9,253,545	(27,125,604)
Total Instruction	534,433,725	1,539,574	96,265,700	(436,628,451)
Pupil Transportation	59,602,833	-	1,684,535	(57,918,298)
Community Services	3,642,674	-	2,430,565	(1,212,109)
Interest on Long-Term Debt	7,502,523	-	-	(7,502,523)
Total Governmental Activities	\$ 697,003,038	\$ 2,494,163	\$ 103,192,159	(591,316,716)
General Revenues:				
Intergovernmental (Unrestricted)				119,100,000
Use of Money & Property				635,161
State & Federal Aid (Unrestricted)				396,973,771
Lottery Aid (Unrestricted)				59,355,281
Miscellaneous				6,764,569
Subtotal, General Revenues				582,828,782
Changes in Net Assets				(8,487,934)
Net Assets - Beginning				91,735,517
Net Assets - Ending				\$ 83,247,583

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 108,533,000	\$ -	\$ 22,053
Receivables:			
Accounts	693,702	432,716	302,250
Due from other funds	14,270,004	2,370,656	197,344
Due from other governments	19,232,036	22,228,809	1,289,110
Prepayments and deposits	6,725,163	40,242	-
Inventories at cost	-	-	4,483
Total assets	<u>\$ 149,453,905</u>	<u>\$ 25,072,423</u>	<u>\$ 1,815,240</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 22,847,365	\$ 3,412,006	\$ 686,499
Due to other funds	14,678,035	14,917,889	406,168
Due to other governments	2,869,601	16,101	-
Due to retirement systems	28,697,466	4,769,227	288,107
Deferred revenues	-	1,957,200	-
Notes payable - BANS	-	-	-
Total liabilities	<u>69,092,467</u>	<u>25,072,423</u>	<u>1,380,774</u>
Fund balances:			
Nonspendable			
Inventory	-	-	305,774
Prepayments	6,589,163	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	10,698,727	-	-
OPEB	20,889,758	-	-
Assigned For			
Potential PYA claims	2,128,941	-	-
Subsequent year's expenditures	17,128,941	-	-
Facilities modernization local share	2,518,447	-	-
General support	11,768	-	-
Instructional support	207,045	-	-
School food service	-	-	128,692
Rochester joint schools construction	-	-	-
Unassigned	19,188,648	-	-
Total fund balance	<u>80,361,438</u>	<u>-</u>	<u>434,466</u>
Total liabilities and fund balances	<u>\$ 149,453,905</u>	<u>\$ 25,072,423</u>	<u>\$ 1,815,240</u>

Capital Projects	RJSCB	Total Governmental Funds
\$ 16,753,779	\$ 119,942,955	\$ 245,251,787
-	-	1,428,668
10,719,847	-	27,557,851
-	-	42,749,955
-	5,589	6,770,994
-	-	4,483
<u>\$ 27,473,626</u>	<u>\$ 119,948,544</u>	<u>\$ 323,763,738</u>

\$ 1,482,013	\$ 1,662,139	\$ 30,090,022
-	-	30,002,092
-	-	2,885,702
57,249	-	33,812,049
-	-	1,957,200
35,162,000	-	35,162,000
<u>36,701,262</u>	<u>1,662,139</u>	<u>133,909,065</u>

-	-	305,774
-	5,589	6,594,752
-	-	1,000,000
-	-	10,698,727
-	-	20,889,758
-	-	-
-	-	2,128,941
-	-	17,128,941
-	-	2,518,447
-	-	11,768
-	-	207,045
-	-	128,692
-	118,280,816	118,280,816
(9,227,636)	-	9,961,012
<u>(9,227,636)</u>	<u>118,286,405</u>	<u>189,854,673</u>
<u>\$ 27,473,626</u>	<u>\$ 119,948,544</u>	<u>\$ 323,763,738</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012

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

Total fund balances	\$189,854,673
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	384,421,049
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	16,104,278
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(493,691,942)
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(2,933,467)
Premium associated with issuance of bonds are a liability in the statement of net assets and are a revenue in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(10,507,008)
Net assets of governmental activities	<u>\$ 83,247,583</u>

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

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ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

(continued next page)

	General	Special Aid	School Food Service
Revenues			
Local sources:			
Use of money and property (interest and rent)	\$ 253,577	\$ -	\$ -
Intergovernmental	119,100,000	-	-
Other	7,763,555	3,225,573	651,169
State sources	438,280,865	26,965,108	502,616
Federal sources	2,209,192	73,001,478	14,317,528
Surplus food	-	-	1,018,851
Sales	-	-	303,420
Total revenues	<u>567,607,189</u>	<u>103,192,159</u>	<u>16,793,584</u>
Expenditures			
Current:			
General Support:			
Staff	6,260,911	-	-
Central services	46,444,330	94,547	-
Other	10,645,006	2,716,812	9,399,737
Instructional:			
Teaching - regular school	197,013,687	38,724,679	-
Special apportionment programs	118,939,846	17,037,899	-
Other	86,414,365	43,218,534	-
Pupil transportation	56,380,047	1,684,535	-
Community services	1,048,677	2,430,565	-
Cost of sales	-	-	7,930,286
Debt service:			
Principal	4,193,371	-	-
Interest	283,316	-	-
Capital outlay	-	-	-
Total expenditures	<u>527,623,556</u>	<u>105,907,571</u>	<u>17,330,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,983,633</u>	<u>(2,715,412)</u>	<u>(536,439)</u>
Other Financing Sources (Uses)			
Net premium on bond issuance	-	-	-
Issuance of long-term debt	-	-	-
Transfers in	1,381,584	2,715,412	-
Transfers out	(32,694,788)	-	-
Total other financing sources (uses)	<u>(31,313,204)</u>	<u>2,715,412</u>	<u>-</u>
Net change in fund balances	8,670,429	-	(536,439)
Fund balances - beginning	71,691,009	-	970,905
Fund balances - ending	<u>\$ 80,361,438</u>	<u>\$ -</u>	<u>\$ 434,466</u>

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

Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ 381,584	\$ -	\$ -	\$ 635,161
-	-	-	119,100,000
-	524,980	-	12,165,277
-	15,608	-	465,764,197
-	-	-	89,528,198
-	-	-	1,018,851
-	-	-	303,420
381,584	540,588	-	688,515,104
-	-	-	6,260,911
-	-	-	46,538,877
-	-	354,759	23,116,314
-	-	-	-
-	-	-	235,738,366
-	-	-	135,977,745
-	-	-	129,632,899
-	-	-	58,064,582
-	-	-	3,479,242
-	-	-	7,930,286
-	-	-	-
13,934,370	-	-	18,127,741
6,907,256	-	-	7,190,572
-	17,640,346	13,637,509	31,277,855
20,841,626	17,640,346	13,992,268	703,335,390
(20,460,042)	(17,099,758)	(13,992,268)	(14,820,286)
-	-	10,507,008	10,507,008
-	348,237	124,100,000	124,448,237
23,506,626	9,137,750	355,000	37,096,372
(3,046,584)	(1,355,000)	-	(37,096,372)
20,460,042	8,130,987	134,962,008	134,955,245
-	(8,968,771)	120,969,740	120,134,959
-	(258,865)	(2,683,335)	69,719,714
\$ -	\$ (9,227,636)	\$ 118,286,405	\$ 189,854,673

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, 2012

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

Net change in fund balances -- total governmental funds	\$120,134,959
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.	(124,448,237)
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.	21,033,352
The net increase in long-term debt for governmental funds is not recorded as an expenditure in governmental funds. Such expenditures for changes in the liabilities for other post-employment benefits, claims payable and compensated absences are recorded in the statement of activities.	(9,317,061)
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 capital assets.	19,602,813
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 considered capital assets.	1,267,872
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(25,432,757)
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(2,721,067)
Depreciation associated with disposed assets is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	2,211,150
The net interest on bonds and notes is accrued in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(311,950)
Premium associated with issuance of bonds are a liability of the statement of net assets and are a revenue in the governmental funds in the year the bonds are issued. This premium is amortized over the term of the bonds.	(10,507,008)
Changes in net assets of governmental activities	<u><u>\$ (8,487,934)</u></u>

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	<u>Agency Funds</u>	<u>Private Purpose Trusts</u>
Assets		
Cash and Cash Equivalents	\$ 553,767	\$ 297,710
Due from Other Funds	2,339,257	104,984
Total Assets	<u>\$ 2,893,024</u>	<u>\$ 402,694</u>
Liabilities and Net Assets		
Accrued Liabilities	\$ 488,202	\$ -
Accounts Payable	-	810
Due to Student Groups	188,582	-
Due to Retirement Systems	2,216,240	-
Total Liabilities	<u>2,893,024</u>	<u>810</u>
Net Assets		
Held in trust for scholarships and awards	<u>-</u>	<u>401,884</u>
Total Liabilities and Net Assets	<u>\$ 2,893,024</u>	<u>\$ 402,694</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, 2012

Private Purpose
Trusts

Additions:

Interest	\$ 275
Scholarships	22,382
Gifts and Donations	<u>33,425</u>
Total additions	56,082

Deductions:

Scholarships	23,017
Gifts and Donations	<u>291,570</u>
Total deductions	<u>314,587</u>

Change in net assets (258,505)

Net Assets – Beginning of Year 660,389

Net Assets – End of Year \$ 401,884

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of Education of the Rochester City School District (the District) operates the public schools in the City of Rochester, New York (the City). The members of the District's Board of Education are elected by popular vote. The District has no independent power to contract bonded indebtedness or to levy taxes. Although a separately elected Board of Education governs the operations of the District, the City of Rochester Charter states that the budget of the District must be approved by the City. The City Charter outlines how the allocation of revenues and debt-incurring power between the City and the District will be conducted. As a result of the City Charter provisions, the District is fiscally dependent upon the City. The City is financially accountable for the District. These financial statements are the result of the District's financial operations for fiscal year July 1, 2011 to June 30, 2012. 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 No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

The Rochester Joint School Construction Board (RJSCB) is included in these financial statements as a blended component unit, a governmental fund type. The RJSCB was created through the City of Rochester and the Board of Education of the City School District under the City of Rochester School Facilities Modernization Program Act (the "Act") as authorized by the State of New York through Chapter 416 of the Laws of 2007 of the State of New York and created through an agreement (the "Memorandum of Understanding") dated January 2010 by and between the City

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

and the District. Pursuant to the Act, the RJSCB intends to undertake a project consisting of the design, reconstruction, or rehabilitation of existing school buildings for their continued use as schools by the District. Statements of RJSCB can be obtained from the RJSCB's Executive Director, located at 1776 North Clinton Avenue, Rochester, New York 14621.

B. Government-Wide Financial Statements

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

The Statement of 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.

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

C. Fund Financial Statements

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

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

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

School Food Service Fund – This fund is used to record the transactions of the District's breakfast, lunch, and milk programs. The proceeds are 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.

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

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

The District also reports fiduciary funds in its financial statements in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the 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 Fund – This fund is custodial in nature and does not involve the measurement of results of operations. Assets are held by the District, acting as agent, for various student activities, health, contract performance, and payroll or employee withholdings.

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

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

The 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 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.

E. 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

behalf. City Council ordinance authorizes the specific banks or trust companies that may be used as depositories. Funds generally can be invested in time deposits, certificates of deposit, obligations of the U. S. Government and its agencies, and New York State and its municipalities.

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

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

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

In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions. As such, investment income of \$381,584 for fiscal year 2011-12, 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

market. Purchases of inventory items in the School Food Service fund are accounted for using the purchases method which records expenditures at the time of purchase.

At the inception of the contract during fiscal 2009-10, Aramark Educational Services, LLC, a Food Service Management Company, took possession of \$301,291 of inventory (excluding government commodities). Upon termination of the Aramark contract, 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 \$301,291, 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 Government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,999 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or fair value if donated.

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

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

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

7. Prepayments and Deposits

The District has prepaid certain General fund expenditures in the amount of \$6,589,163 at June 30, 2012. The majority of this amount is associated with tuition payments made to charter schools for services to be provided in the 2012-13 school year. Additionally, prepayments of \$40,242 for travel expenses and \$5,589 for prepaid insurance were recorded in the Special Aid fund and RJSCB fund, respectively. These prepayments will be recorded as expenditures during fiscal year 2012-13. The District also recorded \$136,000 as refundable deposits which were paid to third party administrators to fund any potential shortages for weekly payments of various health and dental claims.

8. Compensated Absences

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

9. Unearned Revenue

The District received cash in advance of expenditures for Special Aid fund projects in the amount of \$1,957,200 during fiscal year 2011-12, and has recorded it as unearned revenue.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

These funds represent receipts for various grants that were not fully spent at June 30, 2012. As the funds are spent during fiscal year 2012-13, 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.

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 government-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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Fund Statements

In the fund statements there are five classes of net assets:

- *Nonspendable fund balance* – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- *Restricted* – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or legislation.
- *Committed* – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority. Formal action via adopted Board Resolution initiated by the Board of Education is required to establish, modify or rescind fund commitments.
- *Assigned* – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balances of the General fund are classified as assigned fund balance. Under the District's Fund Balance Policy No. 6500, adopted on August 25, 2011, the Superintendent and/or his/her designee is delegated the authority to assign amounts to a specific purpose.
- *Unassigned* – Includes all other General fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the school district or deficit fund balance in funds other than the General fund.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

F. Use of Estimates

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

G. New Accounting Principals

Effective with this financial report for the fiscal year ended June 30, 2012, the District has adopted the following Statement of the Governmental Accounting Standards Board (GASB):

GASB 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 their participating employers. The District has evaluated and determined that this statement has no financial impact on the District.

H. Recent Accounting Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. Statement No. 61 is effective beginning with the District's year ending June 30, 2013.

In December 2010, the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA Pronouncements." Statement No. 62 is effective beginning with the District's year ending June 30, 2013.

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*,

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Statement No. 63 is effective beginning with the District's year ending June 30, 2013.

In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements, deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 65 is effective beginning with the District's year ending June 30, 2014.

In April 2012, the Governmental Accounting Standards Board (GASB) also issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This Statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: operating lease payments that vary from a straight-line basis, the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. Statement No. 66 is effective beginning with the District's year ending June 30, 2014.

I. Subsequent Events

As part of the District's ongoing capital improvement program, the City of Rochester issued bonds in the amount of \$20,548,000 on behalf of the District on August 15, 2012. The proceeds of the

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

bonds were used to redeem bond anticipation notes (BANs) maturing on August 16, 2012. BANs are utilized for ongoing acquisition, construction and reconstruction of school buildings.

On September 26, 2012, the City, on behalf of the District, issued bonds to refund the \$15,751,000 aggregate outstanding principal amount of the District's Refunding School Serial Bonds, 2002 originally issued on August 8, 2002 and delivered to the Dormitory Authority of the State of New York (DASNY) in connection with the issuance of DASNY's School Districts Revenue Bond Financing Program, Series 2002C. Proceeds of the bonds will be used to pay the maturing principal of, interest on, redemption premium payable, if any, and cost of redemption with respect to the refunded bonds, as well as to pay costs of issuance related to the bonds.

On or about November 15, 2012, as part of the City of Rochester's "Refunding Financial Plan", bonds will be issued to refund a portion of the City and District outstanding General Obligation Serial Bonds Series 2004A and 2004B. Proceeds of the bonds will be used to purchase a portfolio of direct obligations of the United State of America, the principal of and investment income of which will be sufficient to pay the maturing principal of, interest on and redemption premium payable, if any, with respect to the refunded bonds, as well as to pay costs of issuance related to these bonds.

Beginning in July 2012, all State Aid revenue (with the exception of EXCEL and certain other Grant related funding) will be paid directly to the Depository Bank of Deutsche Bank Trust Company Americas, in association with a State Aid Trust Agreement dated June 1, 2012 among the Rochester City School District, the City of Rochester and Deutsche Bank, for the purpose of providing funds needed to make future debt payments associated with the obligations related to the Facilities Modernization Program. Any funds not earmarked for debt payments will be passed through from Deutsche Bank to the Rochester City School District.

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 Government-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 (\$493,691,942) difference are as follows:

Bonds payable	\$ (264,091,196)
Compensated absences	(2,613,331)
Other post-employment benefits	(161,805,953)
Contractual obligations	(12,465,626)
Due to other governments	(30,654,719)
Claims payable	<u>(22,061,117)</u>
	<u>\$ (493,691,942)</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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

changes in net assets of governmental activities as reported in the government-wide statement of governmental activities.

One element of that reconciliation states that, "Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are liabilities." Details of this (\$124,448,237) difference are as follows:

Installment purchase debt proceeds	\$ 348,237
Bond issuance proceeds	<u>124,100,000</u>
	<u>\$ 124,448,237</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 \$21,033,352 difference are as follows:

Bond principal payments	\$ 15,319,625
Contractual obligation principal payments	<u>5,713,727</u>
	<u>\$ 21,033,352</u>

Another element of that reconciliation states that, "Net increases in long-term debt for governmental funds is not recorded as an expenditure in governmental funds." Details of this (\$9,317,061) difference are as follows:

Claims payable	\$ 634,662
Other post-employment benefits	12,898,467
New York State teachers retirement incentive	(2,472,282)
New York State employees retirement incentive	(850,072)
Compensated absences	<u>(893,714)</u>
	<u>\$ 9,317,061</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 2011-12 began on July 1, 2011 and ended on June 30, 2012. 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$4,757,727 for the General Fund and \$883,241 for the School Food Service Fund.

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

IV. DETAIL NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$188,582 within the Agency fund restricted for extraclassroom activities, \$16,753,779 in the Capital Projects fund for unexpended BAN and bond proceeds, \$119,942,955 in the RJSCB fund for unexpended bond proceeds, and \$297,710 and \$104,984 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

Custodial Credit Risk - For an investment, custodial credit risk occurs in the event of a failure of the counterparty in which the City will not be able to recover the value of its or the District's investments or collateral securities that are in possession of an outside party. In compliance with New York State law, City and District deposits (above FDIC limits) and investments are protected with custodial agreements which require government securities to be equal to or greater than 102% of the daily investment and held by a third party in the City's name.

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

1. Deposits

At year end, the District's deposits were \$143,192,749. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

2. Cash Equivalents

At year-end, the District had cash equivalents in the form of money markets at fair value of \$122,014,512. 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, 2012 the accounts receivable for the District's individual major funds are as follows:

<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Total</u>
\$693,702	\$432,716	\$302,250	\$1,428,668

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

C. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,439,068	\$ -	\$ -	\$ 17,439,068
Construction in Progress	7,758,380	19,602,813	11,256,915	16,104,278
Total capital assets not being depreciated	<u>25,197,448</u>	<u>19,602,813</u>	<u>11,256,915</u>	<u>33,543,346</u>
Capital assets being depreciated:				
Buildings & Improvements	583,516,459	9,156,079	834,154	591,838,384
Equipment & Other	49,635,572	3,368,708	1,886,913	51,117,367
Total capital assets being depreciated	<u>633,152,031</u>	<u>12,524,787</u>	<u>2,721,067</u>	<u>642,955,751</u>
Less accumulated depreciation for:				
Buildings & Improvements	(219,779,622)	(19,674,086)	(445,492)	(239,008,216)
Equipment & Other	(32,972,541)	(5,758,671)	(1,765,658)	(36,965,554)
Total accumulated depreciation	<u>(252,752,163)</u>	<u>(25,432,757)</u>	<u>(2,211,150)</u>	<u>(275,973,770)</u>
Total capital assets being depreciated, net	<u>380,399,868</u>	<u>(12,907,970)</u>	<u>509,917</u>	<u>366,981,981</u>
District capital assets, net	<u>\$ 405,597,316</u>	<u>\$ 6,694,843</u>	<u>\$ 11,766,832</u>	<u>\$ 400,525,327</u>

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

Instructional teaching regular school	\$ 19,698,036
General support central services	5,036,550
Pupil transportation	592,815
Community services	105,356
	<u>\$ 25,432,757</u>

Significant Construction Commitments

In 2011-12, the District expended \$20,870,685 on capital assets, \$8,921,951 for the RJSCB and \$11,948,734 for the District, respectively. This disbursement was for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$116.7 million will be disbursed by the District and \$396.8 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

Asset Impairment and Insurance Recoveries

In May 2012, there was a fire in a basement art classroom at Wilson Magnet Commencement Academy. The costs of demolition and abatement were estimated to be \$310,100, for which an expenditure and corresponding liability for this claim was recorded at June 30, 2012.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012.

1. Interfund Receivables and Payables

Fund	Interfund Receivable	Interfund Payable
General	\$ 14,270,004	\$ 14,678,035
Special Aid	2,370,656	14,917,889
School Food Services	197,344	406,168
Capital Projects	10,719,847	-
Private Purpose Trusts	104,984	-
Agency	2,339,257	-
Total	<u>\$ 30,002,092</u>	<u>\$ 30,002,092</u>

2. Interfund Transfers

Transfers are a routine annual event for both the budget and accounting process. Such transfers facilitate annual contributions from operating budgets for debt service and capital projects.

Transfer Out:	General Fund	Debt Service Fund	Capital Fund	Special Aid Fund	RJSCB	Total
General Fund	\$ -	\$ 23,506,626	\$ 6,472,750	\$ 2,715,412	\$ -	\$ 32,694,788
Debt Service Fund	381,584	-	2,665,000	-	-	3,046,584
Capital Fund	1,000,000	-	-	-	355,000	1,355,000
Total	<u>\$ 1,381,584</u>	<u>\$ 23,506,626</u>	<u>\$ 9,137,750</u>	<u>\$ 2,715,412</u>	<u>\$ 355,000</u>	<u>\$ 37,096,372</u>

E. Due from Other Governments

	General Fund	Special Aid Fund	School Food Service Fund	Total
Local Governments	\$ 1,460,722	\$ 1,383,032	\$ -	\$ 2,843,754
New York State	17,225,265	11,215,086	243,284	28,683,635
Federal Government	546,049	9,630,691	1,045,826	11,222,566
Total	<u>\$ 19,232,036</u>	<u>\$ 22,228,809</u>	<u>\$ 1,289,110</u>	<u>\$ 42,749,955</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 2011-12 for operating leases was approximately \$90,000 and \$2.9 million, respectively.

The following is a schedule of the approximate total future minimum rental commitments required under operating leases as of June 30, 2012:

Fiscal Year	Receipts	Payments
2012-13	\$ 68,278	\$ 2,338,068
2013-14	-	1,065,752
2014-15	-	925,000
2015-16	-	925,000
2016-17	-	925,000
	<u>\$ 68,278</u>	<u>\$ 6,178,820</u>

G. Long-Term Liabilities

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2012:

	Balance June 30, 2011	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 3,507,045	\$ 6,538,713	\$ 7,432,427	\$ 2,613,331	\$ 2,613,331
Claims Payable	21,426,455	4,300,853	3,666,191	22,061,117	4,449,259
Other Post Employment Benefits	148,907,486	27,550,751	14,652,284	161,805,953	-
Due To Other Governments:					
New York State Advance	16,000,000	-	666,667	15,333,333	666,666
New York State Education Department	6,386,821	-	2,128,940	4,257,881	2,128,941
New York State Special Purpose Bond 2003	2,821,052	-	1,385,256	1,435,796	1,435,796
New York State Teachers' Retirement Incentive	10,985,571	-	2,472,282	8,513,289	2,746,393
New York State Employees' Retirement Incentive	3,400,288	-	850,072	2,550,216	850,072
Installment Purchase Debt	15,035,509	348,237	2,918,120	12,465,626	2,678,423
General Obligation Bonds -					
Serial Bonds	152,489,769	124,100,000	13,934,369	262,655,400	13,321,400
Long-term Liabilities	<u>\$ 380,959,996</u>	<u>\$ 162,838,554</u>	<u>\$ 50,106,608</u>	<u>\$ 493,691,942</u>	<u>\$ 30,890,281</u>
Capital Projects Fund:					
Bond Anticipation Notes	<u>\$ 25,320,000</u>	<u>\$ 12,507,000</u>	<u>\$ 2,665,000</u>	<u>\$ 35,162,000</u>	<u>\$ 35,162,000</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Compensated absences paid in fiscal year 2011-12 totaled approximately \$7.4 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2010-11. The new issues / additions reflect the new long-term liability at June 30, 2012. The General fund is typically used to liquidate this and other debt related liabilities. The schedule below presents the changes in estimated workers' compensation, which are included in claims payable:

	Workers'
	Compensation
Estimated claims June 30, 2010	\$ 20,537,449
Additions 2010-11	5,315,574
Payments 2010-11	4,455,568
Estimated claims June 30, 2011	21,397,455
Additions 2011-12	4,251,522
Payments 2011-12	3,623,477
Estimated claims June 30, 2012	\$ 22,025,500

Due to Other Governments includes a special purpose revenue bond due to the New York State Municipal Bond Bank Agency (MBBA), two debt instruments due to the New York State Education Department (SED) and liabilities for the District's cost of the Early Retirement Incentives offered by New York State and exercised in 2010. Each of these items is explained below.

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 SED 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 2011-12, the District paid \$71,466 in interest net of escrow earnings and \$1,385,256 in principal payments for this bond. The final payments for this debt instrument will be made during 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 the SED audit of Employment Preparation Education (EPE) in January 2001, it was determined that the District owed the SED net \$12,773,644 for disallowances of grant expenditures associated with fiscal years 1997-98 through 1999-00. The payments to the SED are scheduled to be made interest free in six equal, annual installments. As of June 30, 2012, two payments remain totaling \$4,257,881.

Under the New York State Chapters 45 and 105, Laws of 2010 signed into law on April 14, 2010, certain members of the New York State and Local Employees' Retirement System and the Teachers' Retirement System were temporarily provided an early retirement incentive. Under these incentives, the District bore the full costs associated with any early retirement elections. The District had the option to pay these costs in a single, lump-sum up-front payment, or in equal, annual installments over five years. The District elected to repay these costs over five years; at June 30, 2012, the outstanding liability for these incentives was

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

\$8,513,289 for the Teacher's Early Retirement Incentive and \$2,550,216 for the Employee's Early Retirement Incentive.

The District has various installment purchase agreements with Xerox Corporation for purchasing copiers and printers. Generally, the terms of these agreements are of a 60 month duration or until the equipment is no longer in service, whichever is sooner. The original amount of the contracts issued during fiscal 2011-12 is \$348,237.

During 2010-11 the debt associated with Energy Performance upgrade projects was refinanced at an interest rate of 2.89% for Phase 1 and an interest rate of 3.06% for Phase 2. A net savings of \$389,631 for Phase 1 refinancing and \$193,617 for Phase 2 refinancing occurred as a result of the debt refinancing. The outstanding amount of this debt at June 30, 2012 was \$6,222,456 for Phase 1 and \$4,360,670 for Phase 2.

General obligation bonds are direct obligations for which the full faith and credit of the City are pledged. Bonds are generally issued as serial bonds for the period equivalent to one-half of the period of probable usefulness for each improvement as defined by New York State Local Finance Law. Interest rates range from 3.00% to 5.521%. The original amounts of these general obligation bonds are as follows:

Series Issue	Original Amount (000's)	Maturity Date
1999	28,350	10/01/11
2001A	12,225	10/15/14
2001B	25,045	02/15/13
2002C	26,400	02/15/25
2004A	20,535	10/15/21
2004B	36,710	02/15/22
2006A	39,262	02/15/25
2006B	7,585	10/15/24
2008B	10,797	10/01/26
2009C1	58,470	02/10/24
2009C2	1,710	02/10/19
2012A	66,190	05/01/22
2012B	57,910	05/01/28

As of June 30, 2012 the District had no authorized but unissued debt. The debt contracting margin of the District as of June 30, 2012 was \$32,738,528.

As a result of federal stimulus legislation that was enacted 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 amount outstanding at June 30, 2012. The District received its first subsidy of \$20,240 in August 2010; the District will receive semi-annual subsidies of \$16,192 through February 2018; the District's final subsidy of \$8,096 will be paid semi-annually during fiscal 2018-19.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 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. As of June 30, 2012, the amount outstanding was \$16,778,000.

The District paid no arbitrage to the Federal Government during 2011-12. 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, 2012 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
2013	\$ 17,436	\$ 11,341	\$ 28,777
2014	18,902	11,506	30,408
2015	22,025	10,707	32,732
2016	22,853	9,730	32,583
2017	22,865	8,718	31,583
2018-2022	105,571	28,362	133,933
2023-2027	55,990	13,050	69,040
2028-2032	10,915	2,418	13,333
	<u>\$ 276,557</u>	<u>\$ 95,832</u>	<u>\$ 372,389</u>

H. Bond Anticipation Notes

Bond Anticipation Notes (BANs) with rates of 1.25% issued during fiscal 2011-12, have maturities which extend through February 2013. The District had \$35,162,000 of BANs outstanding at June 30, 2012. 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	\$ 10,000,000
Each Occurrence	\$ 10,000,000

There has been no significant reduction in coverage from the previous year and there have been no settlements in excess of coverage in any of the prior three fiscal years. The District provides to its

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 and student accidents. These programs are administered by third party administrators. The Major Medical Program was phased out beginning in fiscal 2009-10.

The schedule below presents the calculation of the District's estimated claims at June 30, 2012 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The estimated claims for the student accident program represent an amount based on prior experience with actual payments of claims.

	Workers'	Major	Student	Total
	Compensation	Medical	Accident	
Estimated claims July 1, 2010	\$ 5,163,518	\$ 7,000	\$ 31,000	\$ 5,201,518
Claims incurred 2010-11	4,919,085	-	44,605	4,963,690
Payments and reductions 2010-11	4,455,568	7,000	46,605	4,509,173
Estimated claims June 30, 2011	<u>\$ 5,627,035</u>	<u>\$ -</u>	<u>\$ 29,000</u>	<u>\$ 5,656,035</u>
Estimated claims July 1, 2011	\$ 5,627,035	\$ -	\$ 29,000	\$ 5,656,035
Claims incurred 2011-12	2,410,084	-	49,331	2,459,415
Payments and reductions 2011-12	3,623,477	-	42,714	3,666,191
Estimated claims June 30, 2012	<u>\$ 4,413,642</u>	<u>\$ -</u>	<u>\$ 35,617</u>	<u>\$ 4,449,259</u>

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

The District uses the general fund to account for its current risk financing activities. A current liability of \$4,413,642 and a non-current liability of \$17,611,858 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 committed \$10,698,727 of its fund balance for this purpose, which represents approximately half of the estimated total claims liability.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 with less than 10 years of membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3 ½% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employers are required to contribute at an actuarially determined rate, currently 11.11% of the annual covered payroll for the fiscal year ended June 30, 2012. Rates applicable to the fiscal years ended June 30, 2011 and 2010 were respectively, 8.62% and 6.19%. 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
2011-12	\$23,930,980
2010-11	16,169,411
2009-10	20,105,226

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for the TRS. As part of 2011-12 contributions, \$2,747,736 was related to the 2010 Early Retirement Incentive.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

Plan members who joined the ERS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute 3% of their gross salary until March 31, 2012; thereafter, those joining on or after April 1, 2012 will contribute between 3% and 6%, dependent upon their salary, for their entire working career. The Comptroller of the State of New York certifies the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

Fiscal Year	Contributions
2011-12	\$ 10,296,085
2010-11	8,308,166
2009-10	4,996,727

The District's contributions made to the ERS were equal to 100 percent of the contributions required for each year. As part of the 2011-12 contributions, \$247,020 was related to prior year adjustments and \$850,072, excluding early payment discounts, was related to the 2010 Early Retirement Incentive offered by New York State.

3. Pension Liability as of June 30, 2012

Fund Group	Employee's Retirement System	Teachers' Retirement System	Total Retirement System
General	\$ 3,573,089	\$ 25,124,377	\$ 28,697,466
Special Aid	216,443	4,552,784	4,769,227
School Food Service	288,107	-	288,107
Capital Projects	55,534	1,715	57,249
Agency	241,514	1,974,726	2,216,240
Total	<u>\$ 4,374,687</u>	<u>\$ 31,653,602</u>	<u>\$ 36,028,289</u>

As part of the General fund's current liability for the Employee's Retirement System, \$850,072 is associated with the NYSERS Early Retirement Incentive offered by New York State in 2010. The District's total cost for this incentive is projected to be \$4,250,360, to be repaid in five equal installments, the first of which was paid during fiscal 2011-12. As part of the General fund's current liability for the Teachers' Retirement System, \$2,837,763 is associated with the NYSTRS Early Retirement Incentive offered by New York State in 2010.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The District's total cost for this incentive is projected to be \$14,098,787, with a balance due at June 30, 2012 of \$11,351,052 to be repaid in five equal installments, the first of which was paid during fiscal 2011-12.

4. Payroll

The total payroll for all employees of the District for the fiscal year 2011-12 was \$318,440,542 of which \$64,230,531 represented payroll costs for employees covered by the ERS, \$240,849,029 by the TRS, and \$13,360,982 for nonparticipating employees. All full-time teachers are mandatory members.

Required contributions made in 2011-12, excluding any early retirement contributions, and the percentage of covered payrolls for the billing period for the systems were as follows:

	Employees' Retirement System	% of Covered Payroll	Teachers' Retirement System	% of Covered Payroll	Total	% of Covered Payroll
Employer	\$10,296,085	16.0	\$23,930,980	9.9	\$34,227,065	11.2
Employees	<u>2,188,989</u>	<u>3.4</u>	<u>2,559,012</u>	<u>1.1</u>	<u>4,748,001</u>	<u>1.6</u>
Total	<u>\$12,485,074</u>	<u>19.4</u>	<u>\$26,489,992</u>	<u>11.0</u>	<u>\$38,975,066</u>	<u>12.8</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.

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.

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, 2012 for this purpose was \$14,652,284. The number of participants enrolled in the District's retirees' health insurance group was 3,910 retirees, excluding survivors, for which there is no cost to the District.

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 2011-12, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$ 34,693,810
Interest on net OPEB obligation	5,956,299
Adjust to annual required contribution	<u>(13,099,358)</u>
Annual OPEB cost (expense)	27,550,751
Contributions made	<u>(14,652,284)</u>
Increase in net OPEB obligation	12,898,467
Net OPEB obligation - July 1, 2011	<u>148,907,486</u>
Net OPEB obligation - July 1, 2012	<u><u>\$ 161,805,953</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2011-12 were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	\$ 27,550,751	53.2	\$ 161,805,953
6/30/2011	\$ 51,981,776	36.5	\$ 148,907,486
6/30/2010	\$ 41,746,291	32.8	\$ 115,916,399

Funded Status and Funding Progress

As of the most recent valuation date of July 1, 2011, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$501.9 million. As previously mentioned, the District's post-retirement medical plan's benefits are funded on a pay-as-you-go basis (a cash basis as benefits are paid). No assets have been segregated and restricted to provide post-retirement benefits. The District has, however, opted to commit \$20,889,758 of its General fund balance for future OPEB costs as of June 30, 2012. Because these funds are not part of the restricted fund balance, they are not an indication of plan funding.

The total annual payroll for all employees of the District for the fiscal year 2011-12 who are eligible for postretirement benefits is \$284,840,686. The ratio of the unfunded actuarial accrued liability at June 30, 2012 to annual covered payroll for 2011-12 is 176%. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Actuarial Methods and Assumptions

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

Liabilities were computed using the projected unit credit method and are amortized on a level dollar open basis using a thirty year amortization period. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the District's general assets which are short-term in nature (such as money market funds) were considered in the selection of the 4% rate. The valuation assumes a 9% healthcare cost trend increase, beginning in calendar year 2013, trending downward by 1% per year until calendar year 2017 at which time the trend is projected to increase by 5% in calendar year 2017 and later. The valuation also applied a 1% inflation rate increase beginning in the calendar year 2013 at later, treating the 2011 and 2012 costs as fixed (known) costs since these inflation rates have already been released.

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 2011-12, MRA claims totaling \$12,254 were paid by the District and at June 30, 2012 there were thirty active participants.

D. The Rochester Joint Schools Construction Board

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

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

Financing of RJSCB

Until longer term Bond funding could be arranged, the City agreed to issue debt on behalf of the RJSCB in the form of Bond Anticipation Note ("BAN") to pay preliminary and incidental costs of the reconstruction of various school buildings for Phase I of the FMP. In accordance with Chapter

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

416 of the Laws of 2007 of the State of New York and as authorized by City Council on June 7, 2011 (and amended on August 16, 2011), a BAN in the amount of \$28,770,000, along with an additional net premium on BAN issuance of \$231,074, (2011 Series III) was issued on September 15, 2011, maturing on June 29, 2012. The note is registered in the name of Cede & Co., as nominee for the Depository Trust Company. The District paid \$24,408 in BAN issuance cost on behalf of the RJSCB as a part of the above transaction.

The RJSCB has arranged permanent financing for the initial portion of Phase I of the FMP with bonds issued by the County of Monroe Industrial Development Agency ("COMIDA"). The initial bond funding was closed on June 20, 2012 and issued by COMIDA in the amount of \$124,100,000 plus a net premium on bond issuance of \$10,507,008. Of this, \$66,190,000 was issued as School Facility Revenue Bonds, Series 2012A - Tax Exempt Bonds maturing May 1, 2022 and \$57,910,000 was issued as School Facility Revenue Bonds, Series 2012B - Federally Taxable Qualified School Construction Bonds ("QSCB") maturing May 1, 2028. The Tax Exempt Bonds were issued with a coupon rate of 5% and a net interest cost of 2.25%; whereas, the QSCB Bonds were issued with a coupon rate of 4.176% but will receive a corresponding federal subsidy resulting in a net interest cost of 0.0% interest for the QSCB Bonds. The blended rate for the bonds is an interest rate of 0.75%. The bond funds were used to pay off \$11,728,403 of the BAN funds maturing on June 29, 2012 (\$11,521,491 in principal, which is the amount of BAN funds spent by the RJSCB, and \$206,912 in interest) with the balance of the bond funds being used for construction project expenditures associated with the first six schools to be renovated in Phase IA of the program and design and architectural services associated with the next six schools in the Phase IB of the program.

The full payoff amount to retire the BAN maturing June 29, 2012 was \$29,223,927 (\$28,770,000 in principal and \$453,927 in interest). In addition to the \$11,728,403 of Bond funds used for the payoff, the balance of funds to retire the BAN, \$17,495,524 (\$17,248,509 in principal and \$247,015 in interest), were paid off using the BAN related funds held by the City (\$17,479,583 in unused BAN proceeds which includes the net premium from the original BAN issuance and \$15,941 in interest earned on the invested BAN proceeds). The BAN was fully retired as scheduled, prior to the fiscal year end June 30, 2012.

E. Contingent Liabilities

The District is typically a respondent/defendant in various claims and lawsuits arising from alleged personal injuries, property damages, civil rights violations, employment/labor matters, and construction contract disputes. The number of such claims and lawsuits, from the Notice of Claim stage through the end of the appellate process, varies as new claims are served and other matters concluded by motion, judgment, settlement or expiration of the statute of limitations throughout the year. The final outcomes of these claims and lawsuits in a given year cannot be predicted with any degree of accuracy. A liability is reported in the financial statements in the amount of \$1,424,000 relative to eleven separate cases which were pending as of June 30, 2012.

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, 2012, the District has reserved and encumbered approximately \$1,600 in asbestos abatement and air monitoring related contracts for active renovation projects. The District has evaluated and determined that there are no other specific pollution related obligations as of June 30, 2012. As a precaution, as of June 30, 2012 the District has set aside an additional \$15,365 in funds which could be used for other

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

pollution remediation obligations should the need arise and early in FY 2012-13, the District has encumbered an additional \$410,000 in funds via purchase orders for other future pollution remediation obligations should the need arise.

F. Related Party Transactions

The District receives certain services from vendors in which a board member(s) is a vested employee. These services amounted to approximately \$1.5 million for the year ended June 30, 2012 for the Catholic Family Center, M&T Bank, the Rochester Area Community Foundation, the Hillside Work Scholarship Connection, Dale Carnegie, the Ibero-American Action League, the Baden Street Settlement of Rochester, the Rochester Housing Authority, the New York Council of Nonprofits, and the University of Rochester. At June 30, 2012, the District had \$72,422 in outstanding accounts payable with these vendors.

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

Capital assets		\$676,499,097
Less: Depreciation	\$275,973,770	
Related outstanding debt	<u>174,444,763</u>	
Invested in Capital Assets, Net of Related Debt		<u>\$226,080,564</u>

The related outstanding debt comprises the following:

Bonds payable	\$262,655,400
Bond anticipation notes	35,162,000
Installment purchase debt	<u>12,465,626</u>
	310,283,026
Less: Unspent proceeds	<u>(135,838,263)</u>
	<u>\$174,444,763</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Schedule of Funding Progress

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Actuarial accrued liability (AAL)	\$383,027,060	\$475,729,333	\$501,925,107
Actuarial value of assets	-	-	-
Unfunded AAL	<u>\$383,027,060</u>	<u>\$475,729,333</u>	<u>\$501,925,107</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 315,568,084	\$ 286,446,657	\$ 284,840,686
Unfunded AAL as a percentage of covered payroll	121.38%	166.08%	176.21%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Employer Contribution</u>
6/30/2012	\$ 14,652,284
6/30/2011	\$ 18,990,689
6/30/2010	\$ 13,673,364

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, 2012

	General Fund			
	Budgeted Amounts		Actual	Variance With Final Budget
	Original Budget	Final Budget		
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 400,000	\$ 225,000	\$ 253,577	\$ 28,577
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	6,678,920	6,045,250	7,763,555	1,718,305
State Sources	435,419,886	439,286,283	438,280,865	(1,005,418)
Federal Sources	500,000	1,200,000	2,209,192	1,009,192
Total Revenues	<u>562,098,806</u>	<u>565,856,533</u>	<u>567,607,189</u>	<u>1,750,656</u>
EXPENDITURES				
Current:				
General Support:				
Staff	5,187,019	4,991,338	4,698,180	293,158
Central Services	39,431,480	39,118,370	37,165,449	1,952,921
Other	10,962,099	9,646,012	8,353,935	1,292,077
Instructional				
Teaching -- Regular School	146,459,420	142,962,801	141,849,475	1,113,326
Special Apportionment Programs	85,837,108	90,545,892	89,309,666	1,236,226
Other	59,721,155	62,185,218	59,576,180	2,609,038
Pupil Transportation	49,926,328	54,194,478	54,019,383	175,095
Community Services	822,355	810,962	736,735	74,227
Employee Benefits				
Retirement	35,591,325	34,757,889	34,565,533	192,356
Social Security	19,358,940	19,228,741	19,171,729	57,012
Health Insurance	60,011,245	62,154,653	60,876,757	1,277,896
Workers' Compensation	5,272,887	3,819,197	3,785,796	33,401
Other	10,801,846	8,421,382	8,359,479	61,903
Debt Service	5,052,807	4,542,632	4,476,687	65,945
Total Expenditures	<u>534,436,014</u>	<u>537,379,565</u>	<u>526,944,984</u>	<u>10,434,581</u>
Excess of Revenues Over Expenditures	<u>27,662,792</u>	<u>28,476,968</u>	<u>40,662,205</u>	<u>12,185,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	300,000	1,300,000	1,381,584	81,584
Transfers Out	(30,091,733)	(31,905,909)	(32,694,788)	(788,879)
Total Other Financing Sources (Uses)	<u>(29,791,733)</u>	<u>(30,605,909)</u>	<u>(31,313,204)</u>	<u>(707,295)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	<u>\$ (2,128,941)</u>	<u>\$ (2,128,941)</u>	9,349,001	<u>\$11,477,942</u>
Encumbrances Included in Actual			218,813	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			9,567,814	
Expenditure of Prior Years' Encumbrances			(897,385)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			8,670,429	
Fund Balance -- Beginning of Year			71,691,009	
Fund Balance -- End of Year			<u>\$ 80,361,438</u>	

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SPECIAL AID FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Special Aid Fund				
Budgeted Amounts				
REVENUES	Original Budget	Final Budget	Actual	Variance With Final Budget
Local Sources	\$ 2,454,905	\$ 4,852,048	\$ 3,225,573	\$ (1,626,475)
State Sources	26,386,353	28,628,938	26,965,108	(1,663,830)
Federal Sources	71,006,327	86,976,649	73,001,478	(13,975,171)
Total Revenues	99,847,585	120,457,635	103,192,159	(17,265,476)
EXPENDITURES				
Current:				
General Support:				
Central Services	12,260	76,279	79,529	(3,250)
Other	2,442,667	3,382,176	1,815,342	1,566,834
Instructional				
Teaching -- Regular School	39,258,674	45,553,491	40,521,346	5,032,145
Special Apportionment Programs	16,128,203	20,589,366	19,443,703	1,145,663
Other	23,740,253	29,938,864	25,755,685	4,183,179
Pupil Transportation	1,240,415	2,132,866	1,601,016	531,850
Community Services	686,977	316,089	406,982	(90,893)
Employee Benefits				
Retirement	4,350,333	5,041,194	5,198,244	(157,050)
Social Security	3,061,316	3,483,433	3,451,569	31,864
Health Insurance	7,858,799	8,836,605	6,468,967	2,367,638
Workers' Compensation	616,191	708,139	743,982	(35,843)
Other	451,497	399,133	421,206	(22,073)
Total Expenditures	99,847,585	120,457,635	105,907,571	14,550,064
Excess of Revenues Over Expenditures	-	-	(2,715,412)	(2,715,412)
OTHER FINANCING SOURCES				
Transfers In	-	-	2,715,412	2,715,412
Total Other Financing Sources	-	-	2,715,412	2,715,412
Excess of Revenues and Other Sources Over Expenditures Budget Basis	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			<u>\$ -</u>	

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, 2012

School Food Service Fund				
Budgeted Amounts				
REVENUES	Original Budget	Final Budget	Actual	Variance With Final Budget
Local Sources:				
Other	\$ 616,000	\$ 316,000	\$ 344,288	\$ 28,288
State Sources	514,000	506,692	502,616	(4,076)
Federal Sources	15,660,000	16,034,506	15,946,680	(87,826)
Total Revenues	<u>16,790,000</u>	<u>16,857,198</u>	<u>16,793,584</u>	<u>(63,614)</u>
EXPENDITURES				
Current:				
General Support:				
Other	13,990,137	14,641,778	14,301,803	339,975
Employee Benefits				
Retirement	905,555	874,073	872,481	1,592
Social Security	425,000	362,000	361,713	287
Health Insurance	1,326,419	1,661,501	1,660,998	503
Workers' Compensation	88,889	82,889	82,870	19
Other	54,000	51,000	50,158	842
Total Expenditures	<u>16,790,000</u>	<u>17,673,241</u>	<u>17,330,023</u>	<u>343,218</u>
 Deficiency of Revenues Over Expenditures	 <u>-</u>	 <u>(816,043)</u>	 <u>(536,439)</u>	 <u>279,604</u>
 Appropriation of Prior Year Fund Balance	 <u>-</u>	 <u>816,043</u>	 <u>-</u>	 <u>(816,043)</u>
Deficiency of Revenues				
Over Expenditures Budget Basis	<u>\$ -</u>	<u>\$ -</u>	<u>(536,439)</u>	<u>\$ (536,439)</u>
Fund Balance -- Beginning of Year			970,905	
Fund Balance -- End of Year			<u>\$ 434,466</u>	

SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND
YEAR ENDED JUNE 30, 2012
(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	\$ 400,000	\$ 225,000	\$ 253,577	\$ 28,577
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,350,000	1,160,000	1,541,449	381,449
Forfeitures	-	-	-	-
Miscellaneous	5,328,920	4,885,250	6,222,106	1,336,856
State Sources	435,419,886	439,286,283	438,280,865	(1,005,418)
Federal Sources	500,000	1,200,000	2,209,192	1,009,192
Total Revenues	<u>562,098,806</u>	<u>565,856,533</u>	<u>567,607,189</u>	<u>1,750,656</u>
Other Sources				
Transfers in	<u>300,000</u>	<u>1,300,000</u>	<u>1,381,584</u>	<u>81,584</u>
Total Revenues and Other Sources	<u>\$ 562,398,806</u>	<u>\$ 567,156,533</u>	<u>\$ 568,988,773</u>	<u>\$ 1,832,240</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, 2012 (continued next page)

Expenditures	Original Budget	Final Budget
General Support:		
Staff	\$ 5,187,019	\$ 4,991,338
Central Services	39,431,480	39,868,370
Board of Education	567,767	712,081
Central Administration	1,190,278	815,074
Finance	4,318,654	3,975,369
Other	4,885,400	4,143,488
Instructional		
Teaching - Regular School	146,459,420	140,962,801
Programs for Children with Handicapping Conditions	80,795,576	86,095,728
Occupational Education	5,041,532	5,450,165
Instruction, Administration and Improvement	36,402,206	35,348,920
Teaching - Special Schools	1,753,035	2,561,913
Instructional Media	4,700,289	4,911,709
Pupil Services	16,865,625	19,612,675
Pupil Transportation	49,926,328	54,194,478
Community Services	822,355	810,962
Employee Benefits:		
Retirement	35,591,325	34,757,889
Social Security	19,358,940	19,228,741
Health Insurance	60,011,245	62,904,653
Workers' Compensation	5,272,887	3,319,197
Other	10,801,846	8,171,382
Debt Service		
Principal	4,016,235	4,248,232
Interest	1,036,572	294,400
	<hr/>	<hr/>
Total Expenditures	534,436,014	537,379,565
 Other Uses		
Transfers Out	30,091,733	31,905,909
	<hr/>	<hr/>
Total Expenditures and Other Uses	564,527,747	569,285,474
	<hr/>	<hr/>
 Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ (2,128,941)	\$ (2,128,941)
	<hr/> <hr/>	<hr/> <hr/>

<u>Current Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balance</u>
\$ 4,698,180	\$ -	\$ 293,158
37,153,681	11,768	2,702,921
645,862	-	66,219
606,750	-	208,324
3,752,641	-	222,728
3,348,682	-	794,806
141,735,714	112,058	(884,971)
83,909,367	10,000	2,176,361
5,390,299	-	59,866
34,081,195	19,950	1,247,775
2,474,372	-	87,541
4,611,113	-	300,596
18,326,216	65,037	1,221,422
54,019,383	-	175,095
736,735	-	74,227
34,565,533	-	192,356
19,171,729	-	57,012
60,876,757	-	2,027,896
3,785,796	-	(466,599)
8,359,479	-	(188,097)
4,193,371	-	54,861
283,316	-	11,084
526,726,171	218,813	10,434,581
32,694,788	-	(788,879)
559,420,959	\$ 218,813	\$ 9,645,702
<u>\$ 9,567,814</u>		

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012

Debt Service Fund				
	Budgeted Amounts			
	Original	Final		Variance with
	Budget	Budget	Actual	Final Budget
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 300,000	\$ 381,584	\$ 381,584	\$ -
Total Revenues	300,000	381,584	381,584	-
EXPENDITURES				
Debt Service	20,526,005	20,526,005	20,526,005	-
Total Expenditures	20,526,005	20,526,005	20,526,005	-
Deficiency of Revenues Over Expenditures	(20,226,005)	(20,144,421)	(20,144,421)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	20,526,005	20,526,005	20,526,005	-
Transfers (Out)	(300,000)	(381,584)	(381,584)	-
Total Other Financing Sources (Uses)	20,226,005	20,144,421	20,144,421	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	-	\$ -
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

**ROCHESTER CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2012**

		<u>Expenditures to Date</u>			
<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	2,027,400	-	-
07-020	Facility Capital Improvements	16,351,225	16,203,905	147,320	-
07-172	Ryan Center Capital Project	22,972,600	21,943,944	989,488	39,168
07-323	Maple Street Capital Project	3,750,000	3,750,000	-	-
08-007	Facility Capital Improvements	12,155,500	11,276,644	878,856	-
08-404	Facility Capital Improvements	12,958,000	11,789,703	1,168,297	-
10-009	Facility Capital Improvements	13,110,000	3,267,436	84,492	9,758,072
11-087	Facility Capital Improvements	12,507,000	-	6,352,572	6,154,428
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	-	1,060,052	(1,051,936)	(8,117)
	City Recreation Center/Other Projects	8,953,714	8,302,729	650,984	-
	Cash - Capital Improvements	215,899,272	196,133,187	9,775,272	9,990,813
	Totals	\$ 518,348,853	\$ 473,419,142	\$ 18,995,345	\$ 25,934,364

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STATISTICAL



STATISTICAL SECTION

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

- ◆ Financial Trends (Page 84-90) – These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 91-94) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ◆ Debt Capacity (Page 95-98) – 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 99-100) – 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 101-104) – 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)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 204,853,752	\$ 210,731,097	\$ 225,824,893	\$ 235,983,192	\$ 216,602,246
Unrestricted	<u>(25,838,545)</u>	<u>(6,926,905)</u>	<u>(1,919,237)</u>	<u>(18,403,117)</u>	<u>(10,146,254)</u>
Total governmental activities net assets	<u>\$ 179,015,207</u>	<u>\$ 203,804,192</u>	<u>\$ 223,905,656</u>	<u>\$ 217,580,075</u>	<u>\$ 206,455,992</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 229,418,070	\$ 231,461,078	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564
Unrestricted	<u>(54,652,221)</u>	<u>(70,682,248)</u>	<u>(78,288,628)</u>	<u>(133,132,558)</u>	<u>(142,832,981)</u>
Total governmental activities net assets	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>

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

(continued next page)

	2003	2004	2005	2006
Expenditures				
General Support:				
Board of Education	\$ 420,632	\$ 353,686	\$ 314,508	\$ 510,766
Chief School Administrator	1,392,919	1,399,391	1,412,019	1,759,223
Finance	3,439,167	4,487,893	4,043,141	4,702,380
Staff	5,956,596	6,314,915	5,818,293	6,142,232
Central Services	55,271,165	52,429,234	57,004,185	61,794,979
Other	16,896,660	7,117,052	5,041,851	7,044,988
Total General Support	83,377,139	72,102,171	73,633,997	81,954,568
Instruction:				
Administration and Improvement	40,909,685	48,765,261	47,502,458	60,021,443
Teaching	307,983,751	312,745,073	317,246,258	331,183,625
Instructional Media	6,344,735	7,290,599	9,195,842	9,332,398
Pupil Services	16,492,692	19,482,159	22,596,376	28,065,827
Other	114,644	147,151	132,667	142,409
Total Instruction	371,845,507	388,430,243	396,673,601	428,745,702
Pupil Transportation	42,304,862	40,141,286	43,025,106	46,551,303
Community Services	5,826,098	5,975,033	5,714,748	5,827,974
Interest on Long-Term Debt	5,685,796	6,863,535	516,667	6,208,775
Depreciation-Unallocated	7,417,397	6,468,318	6,954,610	8,145,544
Interest Short-Term	762,005	617,500	9,689,751	-
Total Expenditures	517,218,804	520,598,086	536,208,480	577,433,866
Program Revenues				
Charges for Services:				
Central Services	14,953,752	13,961,050	13,795,167	14,264,883
Teaching	936,957	846,679	2,086,176	1,753,777
Operating Grants and Contributions	104,417,854	121,460,205	117,350,776	127,617,343
Capital Grants and Contributions	1,537,870	-	-	-
Total Program Revenues	121,846,433	136,267,934	133,232,119	143,636,003
Net (Expense)/Revenue	(395,372,371)	(384,330,152)	(402,976,361)	(433,797,863)
General Revenues and Other Changes in Net Assets				
Intergovernmental (Unrestricted)	126,100,000	126,100,000	119,100,000	119,566,784
Use of Money & Property	1,674,426	1,955,329	2,771,426	3,883,000
Interfund Reimbursements	1,838,858	2,118,112	2,050,308	2,322,847
State & Federal Aid	252,232,084	245,003,824	235,155,380	261,752,923
Lottery Aid	33,093,400	33,103,918	62,650,171	38,360,455
Miscellaneous	2,684,567	837,952	1,350,540	1,586,273
Total General Revenues and Other Changes in Net Assets	417,623,335	409,119,135	423,077,825	427,472,282
Change in Net Assets	\$ 22,250,964	\$ 24,788,983	\$ 20,101,464	\$ (6,325,581)

2007	2008	2009	2010	2011	2012
\$ 713,240	\$ 685,664	\$ 678,153	\$ 700,462	\$ 845,542	\$ 937,364
1,744,079	2,150,794	3,263,226	2,625,789	2,935,381	823,745
5,281,980	5,328,334	5,781,686	6,060,425	6,446,125	5,624,636
6,889,084	6,659,097	6,987,989	7,030,907	7,813,587	6,337,641
64,195,225	73,464,586	74,596,293	75,301,682	74,794,471	71,636,605
7,663,524	21,539,394	3,617,425	9,593,834	5,533,657	6,461,292
86,487,132	109,827,869	94,924,772	101,313,099	98,368,763	91,821,283
63,520,800	63,961,427	76,490,377	76,364,476	76,115,320	66,516,877
349,523,934	385,363,331	420,456,795	422,444,062	444,285,066	422,176,283
8,340,253	8,514,516	10,053,812	11,110,860	12,127,840	9,361,416
30,938,342	30,168,305	32,319,277	32,250,202	32,369,551	36,379,149
-	-	-	-	-	-
452,323,329	488,007,579	539,320,261	542,169,600	564,897,777	534,433,725
53,138,656	54,899,360	60,121,041	55,139,810	60,056,572	59,602,833
5,725,482	7,821,082	7,273,466	6,965,346	7,143,070	3,642,674
8,264,944	7,918,829	7,855,374	7,729,302	8,283,576	7,502,523
7,982,633	-	-	-	-	-
-	-	-	-	-	-
613,922,176	668,474,719	709,494,914	713,317,157	738,749,758	697,003,038
13,854,118	14,620,109	15,987,282	1,032,158	784,618	954,589
1,851,229	1,376,696	1,384,364	1,636,777	1,279,395	1,539,574
145,456,653	90,671,547	95,492,259	101,612,225	107,490,316	103,192,159
-	-	-	-	-	-
161,162,000	106,668,352	112,863,905	104,281,160	109,554,329	105,686,322
(452,760,176)	(561,806,367)	(596,631,009)	(609,035,997)	(629,195,429)	(591,316,716)
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
4,471,842	4,286,033	2,449,722	4,768,568	560,906	635,161
2,594,188	2,322,353	-	-	-	-
275,251,427	350,011,056	385,981,017	408,172,635	381,842,297	396,973,771
38,056,468	48,015,993	55,584,823	56,900,547	63,411,761	59,355,281
2,940,015	4,475,430	19,528,428	8,125,304	7,206,095	6,764,569
442,413,940	528,210,865	582,643,990	597,067,054	572,121,059	582,828,782
\$ (10,346,236)	\$ (33,595,502)	\$ (13,987,019)	\$ (11,968,943)	\$ (57,074,370)	\$ (8,487,934)

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

(continued next page)

	2003	2004	2005	2006
General Fund				
Nonspendable	\$ -	\$ 2,476,254	\$ 827,760	\$ 1,212,305
Committed	-	-	-	-
Assigned	28,615,112	51,958,899	71,304,813	67,472,133
Unassigned	7,464,688	1,910,683	7,140,477	8,468,136
Total General Fund	<u>\$ 36,079,800</u>	<u>\$ 56,345,836</u>	<u>\$ 79,273,050</u>	<u>\$ 77,152,574</u>
 All Other Governmental Funds				
Nonspendable	\$ 179,909	\$ 190,063	\$ 495,948	\$ 437,812
Assigned	4,177,709	4,343,585	1,562,511	1,957,864
Unassigned, Reported In:				
Capital Projects Fund	(51,973,638)	(3,294,811)	(18,437,189)	8,062,212
Miscellaneous Special Revenue	-	-	-	-
Total All Other Governmental Funds	<u>\$ (47,616,020)</u>	<u>\$ 1,238,837</u>	<u>\$ (16,378,730)</u>	<u>\$ 10,457,888</u>
 Total All Governmental Funds	<u>\$ (11,536,220)</u>	<u>\$ 57,584,673</u>	<u>\$ 62,894,320</u>	<u>\$ 87,610,462</u>

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

2007	2008	2009	2010	2011	2012
\$ 5,642,167	\$ 1,814,956	\$ 2,293,454	\$ 39,546	\$ 4,405,058	\$ 6,589,163
-	-	-	-	-	32,588,485
75,261,382	41,096,379	42,234,704	58,297,595	40,728,264	21,995,142
1,889,359	4,932,662	15,694,610	19,064,883	26,557,687	19,188,648
<u>\$ 82,792,908</u>	<u>\$ 47,843,997</u>	<u>\$ 60,222,768</u>	<u>\$ 77,402,024</u>	<u>\$ 71,691,009</u>	<u>\$ 80,361,438</u>
\$ 635,325	\$ 573,374	\$ 448,225	\$ 458,729	\$ 99,138	\$ 311,363
1,825,301	1,140,361	1,559,873	1,436,907	871,767	118,409,508
(12,496,754)	(17,580,328)	(40,133,564)	9,502,422	(258,865)	(9,227,636)
-	-	-	-	(2,683,335)	-
<u>\$ (10,036,128)</u>	<u>\$ (15,866,593)</u>	<u>\$ (38,125,466)</u>	<u>\$ 11,398,058</u>	<u>\$ (1,971,295)</u>	<u>\$ 109,493,235</u>
<u>\$ 72,756,780</u>	<u>\$ 31,977,404</u>	<u>\$ 22,097,302</u>	<u>\$ 88,800,082</u>	<u>\$ 69,719,714</u>	<u>\$ 189,854,673</u>

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

(continued next page)

	2003	2004	2005	2006
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 1,674,595	\$ 2,006,029	\$ 2,854,808	\$ 3,940,018
Intergovernmental	126,100,000	126,100,000	119,100,000	119,100,000
Other	8,171,938	7,705,374	6,869,870	10,505,226
State Sources	359,112,543	328,737,856	370,755,400	359,753,979
Federal Sources	61,457,969	78,854,062	74,778,884	75,785,223
Surplus Food	1,227,994	401,709	497,586	590,293
Sales	1,724,729	1,582,039	1,453,397	1,433,546
Total Revenues	<u>559,469,768</u>	<u>545,387,069</u>	<u>576,309,945</u>	<u>571,108,285</u>
Expenditures				
General Support:				
Staff	5,956,596	6,120,408	5,944,450	5,869,560
Central Services	40,163,470	40,123,124	43,205,701	44,112,304
Other	25,335,966	20,225,514	21,043,155	21,502,409
Instructional:				
Teaching - Regular School	176,257,961	183,825,345	182,841,073	178,786,025
Special Apportionment Programs	113,049,853	121,017,656	118,661,828	119,075,942
Other	75,487,677	86,920,643	91,603,365	106,223,360
Pupil Transportation	42,191,228	38,817,359	43,281,664	44,963,493
Community Services	5,816,407	5,937,379	5,714,431	5,738,203
Cost of Sales	6,507,086	5,721,367	6,113,966	6,064,727
Debt Service:				
Principal	17,203,619	16,372,654	21,604,395	16,288,306
Interest	6,108,852	7,056,465	7,613,274	7,463,175
Capital Outlay	14,773,057	33,378,839	32,713,402	38,368,247
Total Expenditures	<u>528,851,772</u>	<u>565,516,753</u>	<u>580,340,704</u>	<u>594,455,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,617,996	(20,129,684)	(4,030,759)	(23,347,466)
Other Financing Sources (Uses)				
Advance Refunding Bonds	30,295,000	-	-	-
Long-term Debt	85,543	84,429,211	9,030,854	48,128,460
Transfers In	31,765,799	33,815,039	32,774,723	35,788,860
Transfers Out	(31,765,799)	(33,815,039)	(32,774,724)	(35,788,860)
Payment to Escrow Agent	(30,295,000)	-	-	-
Total Other Financing Sources (Uses)	<u>85,543</u>	<u>84,429,211</u>	<u>9,030,853</u>	<u>48,128,460</u>
Net Change in Fund Balances	<u>\$ 30,703,539</u>	<u>\$ 64,299,527</u>	<u>\$ 5,000,094</u>	<u>\$ 24,780,994</u>
Debt Service as a Percentage of Noncapital Expenditures	4.51%	4.40%	5.31%	4.26%

2007	2008	2009	2010	2011	2012
\$ 4,498,603	\$ 4,380,909	\$ 2,449,722	\$ 4,768,568	\$ 560,907	\$ 635,161
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
11,185,487	10,797,977	16,191,725	15,986,384	10,777,116	12,165,277
395,842,611	430,359,330	485,631,182	455,650,093	445,210,158	465,764,197
71,062,237	68,476,550	72,673,518	107,728,741	104,692,597	89,528,198
883,363	791,243	925,780	929,925	932,137	1,018,851
1,003,639	973,208	911,798	576,984	402,473	303,420
603,575,940	634,879,217	697,883,725	704,740,695	681,675,388	688,515,104
6,520,235	6,456,990	6,672,969	6,762,646	7,179,406	6,260,911
45,109,819	47,704,150	47,594,354	49,382,721	47,243,300	46,538,877
22,901,927	37,345,461	21,578,298	27,687,396	24,116,618	23,116,314
190,111,522	203,630,068	222,394,714	225,292,202	236,502,568	235,738,366
124,579,887	133,894,191	137,509,226	142,065,048	136,643,687	135,977,745
112,126,140	118,085,930	133,518,980	134,904,890	131,741,908	129,632,899
50,376,123	52,612,309	56,587,073	52,287,872	54,614,418	58,064,582
5,628,977	6,042,832	7,124,911	6,773,889	6,844,001	3,479,242
6,050,396	6,321,146	6,960,822	7,211,720	7,454,503	7,930,286
19,739,667	18,156,921	14,779,453	13,578,018	18,385,022	18,127,741
8,264,944	7,898,563	8,009,606	6,790,890	8,984,972	7,190,572
27,662,076	26,182,381	49,163,770	26,791,121	22,679,746	31,277,855
619,071,713	664,330,942	711,894,176	699,528,413	702,390,149	703,335,390
(15,495,773)	(29,451,725)	(14,010,451)	5,212,282	(20,714,761)	(14,820,286)
-	-	-	-	-	-
469,183	11,384,878	2,043,200	61,490,498	1,634,393	134,955,245
27,695,699	28,798,062	30,711,359	58,286,742	33,153,924	37,096,372
(27,695,699)	(28,798,062)	(30,711,359)	(58,286,742)	(33,153,924)	(37,096,372)
-	-	-	-	-	-
469,183	11,384,878	2,043,200	61,490,498	1,634,393	134,955,245
\$(15,026,590)	\$(18,066,847)	\$(11,967,251)	\$ 66,702,780	\$(19,080,368)	\$ 120,134,959
4.72%	4.04%	3.40%	3.00%	3.99%	3.71%

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

Fiscal Year	Real Property - Total Direct Tax Rate per \$1,000 ¹			Estimated Actual Value ³	Assessed Value as a Percentage of Actual Value ²
	Assessed Value ³	Homestead ³	Non-Homestead ³		
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
2011	5,777,374	\$19.50	\$42.23	5,969,595	96.78
2012	5,779,908	\$20.04	\$42.79	6,103,388	94.70

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 ²		Overlapping		Total Direct & Overlapping Rate
		Rochester City School District	City of Rochester	Monroe County ³		
	Tax Rate per \$1,000					
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
2011	Homestead	14.11	5.39	10.44		29.94
	Non-Homestead	30.69	11.54	10.44		52.67
2012	Homestead	14.22	5.82	10.60		30.64
	Non-Homestead	30.49	12.30	10.60		53.39

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: ²City Assessor ³Monroe County Budget, www.monroecounty.gov.

ROCHESTER CITY SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS PRIOR
JUNE 30, 2012
(in thousands of dollars)

	2012			2003		
	Taxable Value	Rank	Percentage of Total Taxable Value ¹	Taxable Value	Rank	Percentage of Total Taxable Value ²
Rochester Gas and Electric	\$ 604,581	1	10.46%	\$ 374,787	1	7.84%
Frontier Telephone Corporation	75,953	2	1.31	58,810	3	1.23
Eastman Kodak Company	70,915	3	1.23	122,554	2	2.56
Buckingham Properties	35,733	4	0.62	21,495	7	0.45
CSX (Conrail)	23,228	5	0.40	26,861	4	0.56
Maguire Family Properties	19,818	6	0.34	13,774	10	0.29
EJD Company	18,621	7	0.32	-	-	
NK - TCC Property, LLC	16,296	8	0.28	-	-	
Landsman Development Corporation	15,216	9	0.26	-	-	
AP/AIM Rochester Hotel, LLC	14,800	10	0.26	-	-	
Pioneer/City Center	-	-		23,000	5	0.48
JP Morgan Chase	-	-		21,851	6	0.46
Xerox Corporation	-	-		19,250	8	0.40
Farash Corporation	-	-		17,590	9	0.37

¹ The total taxable assessed value of \$5,779,908 was used for fiscal year 2011-12 taxes

² The total taxable assessed value of \$4,779,188 was used for fiscal year 2002-03 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	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections Subsequent Years	Amount	Percentage of Levy	
2003	\$ 166,991	\$ 152,270	91.18	\$ 10,077	\$ 162,347	97.22	
2004	173,145	158,479	91.53	10,577	169,056	97.64	
2005	178,380	163,293	91.54	9,528	172,821	96.88	
2006	184,086	168,297	91.42	10,390	178,687	97.07	
2007	189,822	174,245	91.79	10,208	184,451	97.17	
2008	190,298	174,902	91.91	8,748	183,650	96.51	
2009	196,088	181,218	92.42	7,852	189,070	96.42	
2010	197,219	182,281	92.43	8,953	182,281	92.43	
2011	201,211	185,325	92.10	8,941	185,325	92.10	
2012	205,558	190,955	92.19	N/A	189,505	92.19	

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	Installment Purchase Contracts	Total	Percentage of Personal Income ¹	Per Capita ²
2003	\$ 77,759,109	\$ 79,804,500	\$ 12,209,962	\$ 9,683,522	\$ 771,147	\$ 180,228,240	0.74	244
2004	133,017,121	33,313,642	11,135,015	8,476,594	14,697,914	200,640,286	0.78	273
2005	114,227,235	48,541,642	10,607,454	7,219,586	22,279,869	202,875,786	0.77	277
2006	147,522,348	24,296,000	8,982,526	5,907,490	22,385,298	209,093,662	0.75	286
2007	131,171,122	42,743,000	7,845,356	4,512,762	20,764,007	207,036,247	0.71	283
2008	127,318,629	60,774,125	6,648,580	3,035,402	18,860,874	216,637,610	0.70	296
2009	116,050,555	83,014,725	5,423,477	1,485,426	18,154,697	224,128,880	0.75	305
2010	166,374,111	26,082,600	4,142,064	-	16,657,111	213,255,886	0.68	286
2011	152,489,769	25,320,000	2,821,052	-	15,035,509	195,666,330	0.62	263
2012	262,655,400 ³	35,162,000	1,435,796	-	12,465,626	311,718,822	0.99	419

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, 2010 data used for 2011 and 2012.

² Population figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov, current year and prior year data not available, 2010 data used for 2011 and 2012.

³ General Obligation Bonds for 2012 include \$124,100,000 associated with the Facilities Modernization Program

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2012**

Jurisdiction	Debt Outstanding City¹	Debt Outstanding School District²	Gross Debt Outstanding¹	Percentage Applicable to City¹	Amount Applicable to City¹
City of Rochester	\$ 194,052,999	\$ 173,717,400	\$ 367,770,399	100.00%	\$ 367,770,399
County of Monroe			471,948,202	14.65%	69,140,412
			<u>\$ 839,718,601</u>		<u>\$ 436,910,811</u>

¹Source of data is City of Rochester Finance Department.

²Excludes special school purpose bonds and installment purchase contracts outstanding at June 30, 2012.

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
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
2011	206,453,503	177,809,769	28,643,734	13.87
2012	206,455,928	173,717,400	32,738,528	15.86

Legal Debt Margin Calculation for Fiscal Year 2012

Indebtedness	
Borrowings -- Bonds	\$ 138,555,400
Borrowings -- BANs	<u>35,162,000</u>
	173,717,400
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) ¹	<u>206,455,928</u>
Debt Contracting Margin ²	<u><u>\$ 32,738,528</u></u>

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

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

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

Fiscal Year	Special Program Revenue Bond ¹				Special School Purpose Revenue Bond ²			
	Revenue	Principal	Interest	Coverage	Revenue	Principal	Interest	Coverage
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
2011	-	-	-	-	1,321,012	1,321,012	130,020	0.91
2012	-	-	-	-	1,385,256	1,385,256	71,466	0.95

¹This 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

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

**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
2003	741,671	\$ 24,318,524	\$ 32,789	5.5
2004	741,075	25,561,752	34,493	5.2
2005	738,506	26,432,592	35,792	4.6
2006	738,329	27,756,375	37,594	4.4
2007	739,249	29,338,061	39,686	4.5
2008	741,018	31,200,177	42,104	5.4
2009	743,386	30,153,246	40,562	8.0
2010	744,635	31,336,252	42,083	7.9
2011	N/A	N/A	N/A	7.8
2012	N/A	N/A	N/A	8.1

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

² Source: NYS Dept of Labor, www.labor.state.ny.us (average rates computed through September 2012)

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

Employer	2012			2003		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	20,340	1	4.19%	19,461	2	3.92%
Wegman's Food Markets Inc.	13,976	2	2.88%	5,647	4	1.14%
Rochester General Health System	7,600	3	1.56%	4,404	5	0.89%
Xerox Corp.	6,116	4	1.26%	10,050	3	2.02%
Eastman Kodak Company	5,129	5	1.06%	22,000	1	4.43%
Unity Health System	4,905	6	1.01%	2,931	7	0.59%
Paychex Inc.	3,712	7	0.76%	-	-	-
Lifetime Healthcare Cos. Inc.	3,584	8	0.74%	2,932	6	0.59%
Rochester Institute of Technology	3,299	9	0.68%	2,712	9	0.55%
YMCA of Greater Rochester	2,732	10	0.56%	-	-	-
Frontier Corp.	-			2,300	10	0.46%
Delphi Energy and Engine Mgmt Sys	-			2,740	8	0.55%
	<u>71,393</u>		<u>14.70%</u>	<u>75,177</u>		<u>15.14%</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

	2003	2004	2005	2006	2007
General Support:					
Board of Education	8	8	8	10	10
Chief School Administrator	8	8	9	8	9
Finance	42	49	53	55	58
Staff	38	36	41	43	51
Central Services	611	616	611	616	624
Other	-	-	-	4	1
Total General Support	<u>707</u>	<u>717</u>	<u>722</u>	<u>736</u>	<u>753</u>
Instruction:					
Administration and Improvement	569	557	570	617	644
Teaching	4,097	3,949	3,835	3,894	4,113
Instructional Media	68	57	68	68	70
Pupil Services	232	221	229	249	269
Pupil Transportation	111	105	132	136	137
Community Services	117	115	101	107	98
Unclassified	21	15	17	18	15
Total Instruction	<u>5,215</u>	<u>5,019</u>	<u>4,952</u>	<u>5,089</u>	<u>5,346</u>
Total	<u>5,922</u>	<u>5,736</u>	<u>5,674</u>	<u>5,825</u>	<u>6,099</u>

	2008	2009	2010	2011	2012
General Support:					
Board of Education	11	11	11	11	11
Chief School Administrator	8	10	14	14	6
Finance	54	56	59	55	52
Staff	48	48	45	38	42
Central Services	607	647	636	569	586
Other	-	-	-	-	-
Total General Support	<u>728</u>	<u>772</u>	<u>765</u>	<u>687</u>	<u>697</u>
Instruction:					
Administration and Improvement	644	678	669	655	640
Teaching	4,170	4,235	4,033	3,755	3,802
Instructional Media	72	72	66	64	81
Pupil Services	259	277	271	237	413
Pupil Transportation	137	132	125	114	106
Community Services	48	116	109	114	65
Unclassified	15	15	15	14	12
Total Instruction	<u>5,345</u>	<u>5,524</u>	<u>5,288</u>	<u>4,953</u>	<u>5,119</u>
Total	<u>6,073</u>	<u>6,296</u>	<u>6,053</u>	<u>5,640</u>	<u>5,816</u>

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

Fiscal Year	Enrollment¹	Expenses²	Cost Per Pupil	Percentage Change from Prior Year	Teaching Staff	Pupil- Teacher Ratio	Percentage of Students Receiving Free or Reduced- Priced Meals¹
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
2011	31,256	738,749,758	23,635	4.9	3,755	8.3	88.4
2012	30,693	697,003,038	22,709	-3.9	3,802	8.1	82.1

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

²Expenses are presented on a Government-wide basis

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

(continued next page)

	2003	2004	2005	2006	2007
<u>Schools</u>					
Elementary					
Buildings	39	39	40	38	38
Square Feet (a)	2,811,965	3,053,443	2,965,521	2,978,216	2,978,216
Capacity	23,143	20,840	19,800	20,422	20,422
Enrollment	19,728	18,595	17,489	17,655	16,970
Secondary					
Buildings	16	15	15	16	16
Square Feet (a)	3,489,461	3,721,397	3,575,421	3,704,416	3,704,416
Capacity	18,252	17,408	15,727	16,345	16,345
Enrollment	14,822	15,237	15,566	15,387	15,616
Other					
Buildings	1	1	1	1	1
Square Feet (a)	170,697	167,722	141,969	141,969	141,969
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	1	4	4	4	4
Square Feet (a)	116,755	229,273	229,273	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	90
<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	39	39	39	39	39

Source: Facilities Department District records

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

(b) District is currently modifying buildings to a K-8/9-12 model. Conversion is underway and capacities are in flux. Data reflects past capacities and enrollment in K-6/7-12.

(c) Facilities are 30 Hart Street and 2 Austin Street (leased square footage was adjusted based on new estimates using CAD)

(d) Facilities are Central Office, Service Center considered one building, 175 Martin Street and 283 W. Ridge Road (leased square footage was adjusted based on new estimates using CAD)

(e) Garage/Maintenance included as part of Service Center

2008	2009	2010	2011	2012 (b)
38	38	38	38	38
2,977,479	2,977,479	3,068,471	2,953,692	2,953,692
20,422	20,922	21,324	21,324	21,324
17,093	17,271	17,228	17,152	16,949
16	16	16	14	14
3,704,416	3,704,416	3,704,416	2,475,222	3,475,222
16,345	15,775	15,775	15,775	15,775
15,675	14,861	14,426	14,104	13,744
1	3	3	2	2 (c)
141,969	296,969	176,319	204,232	200,560
-	-	-	-	-
-	-	-	-	-
4	3	2	4 (d)	4 (d)
256,781	170,354	241,755	401,750	401,750
256,077	256,077	256,077	- (e)	- (e)
90	88	88	88	86
7	7	7	7	7
5	9	9	9	9
6	8	8	8	8
10	22	22	22	22
11	13	13	13	13
39	35	36	36	36

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SINGLE AUDIT REPORT





**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
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 financial statements of the governmental activities, each major fund and the aggregate, remaining fund information of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 28, 2012.

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 these specified parties.

Freed Maxick CPAs, P.C.

Rochester, New York
November 28, 2012



**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 Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in 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, 2012. 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 General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2012.

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 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.

Freed Maxick CPAs, P.C.

Rochester, New York
November 28, 2012

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

(continued on next page)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Grantor Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Direct Programs:			
Impact Aid	84.040	S041B20123427	\$12,113
FLAP Grant #2	84.293B	B100171BP2	153,082
FLAP Grant #2	84.293B	B100171BP1	7,723
Title VII-Native American Resource	84.060A	060A122183	60,557
Title VII-Native American Resource	84.060A	060A112183	(2,584)
RAISE	84.351D	U351D100170	247,211
Safe Schools/Healthy Students	84.184L	Q184L080045	1,476,891
ESSC Elementary	84.215E	Q215E100131	325,341
Elementary Historians	84.215X	U215X090434	10,243
Elementary Historians - TAH US	84.215X	U215X090434	308,245
Growing up in America: A Historical Journey	84.215X	U215X100462	337,492
Teaching As Historians	84.215X	U215X080325	10,883
Teaching as Historians Pt. 2	84.215X	U215X080325	258,430
Readiness & Emergency Mgmt	84.148E	184E090093	183,417
Advanced Placement Incentive Program	84.330C	S330C080224-10	322,636
<i>Subtotal Department of Education Direct Programs</i>			<u>\$3,711,680</u>
U.S. Department of Education Pass-Through Program			
From New York State Department of Education:			
ARRA - ED for Homeless Children/Youth	84.387	5212113919	\$56,992
ARRA - Education Stabilization Fund	84.394	5000111395	0
ARRA - Educational Jobs Fund	84.410	5400121395	8,336,584
ARRA - Race to the Top	84.395A	5500121395	1,007,420
ARRA - Teacher Incentive Fund	84.385	5600110002	4,213
ARRA - Teacher Incentive Fund	84.385	5600120002	5,395
ARRA - Title I Parts A & D, Year 3	84.389A	5021121395	10,026
ARRA - TITLE I SCH IMP 1003 (G)	84.388A	5123121004	7,299,334
ARRA - TITLE I SCH IMP 1003 (G)	84.388A	5123122004	2,541,346
ARRA IDEA 619 Part B Sect 619	84.392A	5033110370	48,967
ARRA IDEA Part B 611	84.391A	5032110370	306,494
ARRA Math and Science HS	84.397	5413110003	686,617
ARRA Mentor Teacher/Internship Prg	84.397	5663110006	(936)
ARRA Title I SCH IMP 1003 (G)	84.388A	5123110008	476,146
ARRA Title I, Parts A & D	84.389A	5021111395	2,298,255
ARRA Title II EETT	84.386A	5291110035	116,262
GCC Perkins Funding	84.243	GCCPER1201	37,842
GCC Perkins Funding	84.243	GCCPER1101	(370)
Homeless	84.196A	0212114007	913
Homeless Children	84.196A	0212124007	134,097
Homeless Children	84.196A	0212113919	0
IDEA - Part B, Section 611	84.027A	0032120370	9,838,865
IDEA - Part B, Section 611	84.027A	0032110370	(18,861)
IDEA - Part B, Section 619	84.173A	0033120370	461,283
IDEA - Part B, Section 619	84.173A	0033110370	1,019
IDEA, Part B, Disc.	84.027A	0031125502	47,061
IDEA, Part B, Disc.	84.027A	0031115502	15,637
Perkins IV/CTEIA - Basic Grant	84.048	8000119020	0
Perkins IV/CTEIA - Criminal Offender	84.048	8030120001	34,119
Perkins IV/CTEIA - Criminal Offender	84.048	8030110001	71

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012
(continued on next page)

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
Perkins Secondary	84.048	8000110024	\$ (7,085)
Perkins Secondary	84.048A	8000120024	436,414
SETRC	84.027A	0C00755912	403,064
SETRC	84.027A	C010298	(2,509)
Title I- School Improvement	84.010	0011122004	418,642
Title I- School Improvement	84.010	0011112004	237,858
Title IA&D Improv Acad Achmt F/Disa	84.010A	0021121395	23,962,706
Title IA&D Improv Acad Achmt F/Disa	84.010A	0021111395	869,212
Title I, School Improvement	84.010	0011125002	230,617
Title I, School Improvement	84.010	0011113044	28,396
Title I, School Improvement	84.010	0011124054	1,345,041
Title I, School Improvement	84.010	0011115004	132,359
Title II-A Teach/Prin Tmg/Recruitment	84.367A	0147121395	3,162,672
Title II-A Teach/Prin/Tmg/Recruitment	84.367A	0147111395	657,830
Title II-B Math/Science Partners MSP	84.366	0294110203	(18,063)
Title II-B Math/Science Partnerships MSP	84.366	0294110211	(7,630)
Title II-B Math/Science Partnerships MSP	84.366B	0294120211	333,770
Title II-B Math/Science Partnerships MSP	84.366B	0294120203	692,555
Title II-D Enhancing Ed Thr Tec- Hi Need	84.318X	0291121034	251,717
Title II-D Enhancing Ed Thr Tec- Hi Need	84.318X	0291122034	389,313
Title II-D Enhancing Ed thru Tech- Hi Need	84.318	0291111034	(13)
Title II-D Enhancing Ed thru Technology	84.318	0292111395	294
Title III, LEP	84.365A	0293121395	440,084
Title IIIA, LEP	84.365	0293111395	334,607
Title IV Safe & Drug Free Schools	84.186	0180111395	402
Title IV S DFSCA Excess Funds	84.186A	0189111005	(837)
WIA - Title 2, Adult Education & Lit	84.002	2338118006	(1)
WIA - Title 2, Adult Education & Lit	84.002	2338111074	-
WIA - Title 2, Adult Education & Lit	84.002	2338119013	747
WIA, Title 2, Adult Education & Lit	84.002A	2338128006	99,173
WIA, Title 2, Adult Education & Lit	84.002A	2338121074	125,024
WIA, Title 2, Adult Education & Lit	84.002A	2338129013	308,071
WIA, Title 2, Incarceratd & Instit	84.002	0138110015	200
WIA, Title 2, Incarcerated & Instit	84.002	0138120015	245,356
<i>Subtotal U.S. Department of Education Pass-Through Program</i>			\$ 68,814,777
<i>From New York State Department of Education:</i>			
U.S. Department of Education Office of Safe & Drug-Free Schools Pass-Through Program from The Center for Civic Education:			
Student Violence Prevention Center	84.304	Q304D090001	\$ 106
<i>Subtotal U.S. Department of Education Office of Safe & Drug-Free Schools Pass-Through Program from The Center for Civic Education</i>			\$ 106
<i>Total Department of Education</i>			\$72,526,563
U.S. Dept of Labor, Employment and Training Administration Pass-Through NYS Dept of Labor:			
Youth Build - Urban League	17.274	URBANL1101	\$359
<i>Subtotal U.S. Dept of Labor, Employment and Training Administration Pass-Through NYS Dept of Labor</i>			\$359
U.S. Department of Agriculture Food and Nutrition Pass-Through NYS Bureau of School Food Management			
School Food Service Fund - Breakfast	10.553	--	\$4,440,356
School Food Service Fund - Lunch/Surplus Food Commodities	10.555	--	10,896,023
<i>Subtotal U.S. Department of Agriculture Food and Nutrition Pass-Through NYS Bureau of School Food Management</i>			\$15,336,379

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
Pass-Through from New York State Department of Education ARRA - CN Equipment Assistance Grants	10.579	0005110003	<u>\$28,310</u> \$28,310
Pass-Through City of Rochester Summer Food Service Program	10.559	--	<u>\$610,301</u> \$610,301
Pass-Through NYS Office of Temporary & Disability Assistance:			
Food Stamp Employment & Training Venture (FSET)	10.561	C020854012	\$87,463
Food Stamp Employment & Training Venture (FSET)	10.561	C020854011	<u>174,148</u>
<i>Subtotal U.S. Department of Agriculture Food and Nutrition</i>			<u>\$261,611</u>
<i>Pass-Through NYS Office of Temporary & Disability Assistance</i>			
U.S. Department of Health and Human Services for Children and Families Pass-Through NYS Office of Temporary & Disability Assistance:			
NYSOTDA Educational Resources	93.558	C020720912	<u>\$112,375</u>
<i>Subtotal U.S. Department of Health and Human Services for Children and Families Pass-Through NYS Office of Temporary & Disability Assistance</i>			<u>\$112,375</u>
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Pass-Through University of Rochester :			
U of R CDC	93.531	DP00359901	<u>\$3,045</u>
<i>Subtotal U.S. Department of Health and Human Services Centers for Disease Control and Prevention Pass-Through University of Rochester</i>			<u>\$3,045</u>
Department of Defense - National Security Agency Direct Programs:			
Startalk	12.900	H982301110	<u>\$69,158</u>
<i>Subtotal Department of Defense Direct Programs</i>			<u>\$69,158</u>
Department of Health and Human Services Centers for Medicare and Medicaid Services Direct Programs:			
Early Retiree Reinsurance Prog	93.525	1018700411	<u>\$57</u>
<i>Subtotal Department of Health and Human Services Centers for Medicare and Medicaid Services Direct Programs</i>			<u>\$57</u>
 <i>Total Expenditures of Federal Awards</i>			 <u><u>\$88,948,158</u></u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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

4. Other

In the Schedule of Expenditures of Federal Awards for the School Food Service Fund, \$1,018,851 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, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

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

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

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:

Name of Federal Programs or Clusters

CFDA Number(s)

Child Nutrition Cluster

10.553/10.555

Title I A – School Improvement Grants

84.388

ARRA - Education Jobs Funds

84.410

ARRA - Race to the Top

84.395

Title II A

84.367

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

\$ 2,668,445

Auditee qualified as low-risk auditee?

 X Yes No

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012 (Continued)

II. FINANCIAL STATEMENT FINDINGS

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE PRIOR YEAR ENDED JUNE 30, 2012

I. FINANCIAL STATEMENT FINDINGS

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

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

STUDENT ACTIVITY FUNDS





Independent Auditor's Report

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

We have audited the Statement of Assets and Liabilities Arising from Cash Transactions and the related 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, 2012 and 2011. 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 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 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 statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying Statement of Assets and Liabilities Arising from Cash Transactions and Statement of Cash Receipts and Disbursements are not intended to present the financial position, results of operations and cash flows in conformity with 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 statements referred to above present fairly, in all material respects, the recorded transactions of the Student Activity Funds of the District as of and for the years ended June 30, 2012 and 2011, arising from cash receipts and disbursements made during the years then ended, on the basis of accounting described in Note 2.

Freed Maxick CPAs, P.C.

Rochester, New York
November 28, 2012

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
JUNE 30, 2012 AND 2011

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
ASSETS		
Cash --		
Elementary Schools	\$ 47,675	\$ 60,172
Secondary Schools	<u>140,907</u>	<u>162,187</u>
Total Assets	<u>\$ 188,582</u>	<u>\$ 222,359</u>
LIABILITIES		
Student Deposits --		
Elementary Schools	\$ 47,675	\$ 60,172
Secondary Schools	<u>140,907</u>	<u>162,187</u>
Total Liabilities	<u>\$ 188,582</u>	<u>\$ 222,359</u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
RECEIPTS		
Elementary Schools	\$ 147,089	\$ 213,063
Secondary Schools	511,941	734,550
Total Receipts	<u>659,030</u>	<u>947,613</u>
DISBURSEMENTS		
Elementary Schools	159,586	218,477
Secondary Schools	533,221	792,399
Total Disbursements	<u>692,807</u>	<u>1,010,876</u>
Excess (Deficiency) of Receipts over Disbursements	(33,777)	(63,263)
Cash - Beginning of Year	<u>222,359</u>	<u>285,622</u>
Cash - End of Year	<u><u>\$ 188,582</u></u>	<u><u>\$ 222,359</u></u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2012

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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