

2013

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, 2013*

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, 2013**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

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	17-31
Basic Financial Statements (<i>the notes to the financial statements are an integral part of the Basic Financial Statements</i>):	
Government-Wide Financial Statements:	
Statement of Net Position.....	33
Statement of Governmental Activities	34
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	35-36
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	39-40
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Governmental Activities.....	41
Fiduciary Fund Statements:	
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position	43
Notes to Financial Statements.....	44-70
Required Supplementary Information:	
Schedule of Funding Progress for Retiree Health Plan.....	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – General Fund.....	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Special Aid Fund.....	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – School Food Service Fund	76
Supplemental Financial Statements and Schedules:	
Schedule of Revenues, Other Sources, Expenditures, and Other Uses - Budget and Actual (Non-GAAP Budget Basis) – General Fund	78-80
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Debt Service Fund.....	81
Summary Schedule of Project Expenditures – Capital Projects Fund	82

TABLE OF CONTENTS

Page

STATISTICAL SECTION

Net Position by Component – Last Ten Fiscal Years	86
Changes in Net Position, Governmental Activities – Last Ten Fiscal Years	87-88
Fund Balances, Governmental Funds – Last Ten Fiscal Years	89-90
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	91-92
Assessed Value and Estimated Actual Value of Taxable Real Property – Last Ten Fiscal Years	93
Property Tax Rates Per Thousand, Direct and Overlapping Governments – Last Ten Fiscal Years	94
Principal Property Taxpayers – Current Fiscal Year and Nine Years Prior.....	95
City of Rochester Property Tax Levies and Collections – Last Ten Fiscal Years	96
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	97
Direct and Overlapping Debt as of June 30, 2013	98
Legal Debt Margin Information – Last Ten Fiscal Years	99
Pledged-Revenue Coverage – Last Ten Fiscal Years	100
Demographic Economic Statistics – Last Ten Fiscal Years	101
Principal Private Sector Employers in the Rochester Area – Current Year and Nine Years Prior.....	102
Budgeted Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years	103
Operating Statistics – Last Ten Fiscal Years	104
School Building Information – Last Ten Fiscal Years	105-106

SINGLE AUDIT REPORT

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	109-110
Independent Auditor's Report on Compliance for each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133	111-112
Schedule of Expenditures of Federal Awards.....	113-115
Notes to Schedule of Expenditures of Federal Awards	116
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2013	117-118
Schedule of Prior Year Findings and Questioned Costs for the Year Ended June 30, 2013	119

STUDENT ACTIVITY FUNDS

Independent Auditor's Report	121-122
Statement of Assets and Liabilities Arising from Cash Transactions.....	123
Statement of Cash Receipts and Disbursements	124
Notes to Financial Statements	125

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTION





Rochester City School District

Superintendent of Schools

Bolgen Vargas

December 19, 2013

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, 2013. The CAFR was prepared by the District's Department of Accounting 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, 2013.

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 2012-13 school year, the District reported the following enrollments: 16,679 elementary (K-6) and 12,844 secondary (7-12), for a total of 29,523 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 2012-13, the District paid charter schools a total of approximately \$33.4 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, Rochester Career Mentoring Charter School, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School West Campus, Urban Choice Charter School, University Preparatory Charter School and Young Women's College Preparatory of Rochester.

The District's financial statements are included in the financial statements of the City of Rochester (City) as a discretely presented component unit. The Board of Education of the District governs the public schools and is elected separately from the City. The District is dependent upon the City to contract bonded indebtedness and to levy taxes. The City's Charter states how the allocation of revenue and debt-incurring power between the City and the District will be conducted. The terms of this section of the Charter are as follows for fiscal year July 1, 2012 to June 30, 2013:

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 2012-13 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, 2012 and ending on June 30, 2013.

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 Forecast¹

The dominant feature of Rochester's economy during the previous 30 years has been the decline of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers – particularly Kodak – employing highly skilled production workers, key scientists and technicians in research and development positions and corporate business offices. As these companies restructured, the workers who left their employers have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half of employment was located in small and medium-sized firms of 1,000 employees or less. By 2008, the share of employment in small and medium-sized firms had risen to about 80%.

International trade by area exporters continues to be a significant component of the economic activity of the Rochester area. Rochester is the second largest exporting area in the State (New York City is the largest). 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. During the fiscal year ended June 30, 2013, the Department of Neighborhood and Business Development assisted 129 businesses which anticipated investing more than \$161 million in the community; currently employ 12,487 individuals and project to create approximately 1,082 new jobs over the next three years.

In 2011, Rochester received numerous national accolades. "The Atlantic" ranked Rochester as one of the top 35 innovation hubs in the country. "Business Facilities The Location Advisor" lists Rochester as a top region for job growth and the third best food processing region in the United States. "Brookings" rated Rochester as one of the top 20 economies in the nation. "Forbes" lists Rochester as the number one best place to buy a home. In 2012, Rochester was rated the 5th best city for families by Kiplinger. The unemployment rate for the Rochester area as of June 2013 was 7.0% compared to the national average of 7.6% and the State average of 7.6%

Sources:

1 The City of Rochester, New York, Official Statement dated July 24, 2013

Projected Enrollment

The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total enrollment over the next five years by approximately 2,023 students, after that enrollment is projected to increase slightly over the next five years. 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 210,855 in 2011, a decline of 2.9% over the decade. However, the number of live births has now leveled off and the decline in Rochester's population has subsided; therefore, as previously mentioned, enrollment is predicted to stabilize over the last five years of the ten year projection period unless additional private or charter schools open in the City.

Charter Schools continue to influence the decline in District enrollments. Though no new Charter Schools are expected to open in fiscal 2013-14, several of the existing Charter Schools continue to add additional grades. Additionally, Holy Cross School, a parochial school, was reopened in the Charlotte area in the 2012-13 fiscal year. This school attracts students from the inside and outside city limits.

Age of School Buildings

The School District maintains over 7.105 million square feet of educational and administrative space in owned and leased buildings. As the data in the chart below indicates, the age of the District's school buildings spans a wide range. The average age of these buildings is 68 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. Independent of the District's normal capital improvement plan, the District has also embarked on Phase I of a Facilities Modernization Program that will target 12 school buildings for significant renovations, upgrades and technology enhancements, all of which are scheduled to be completed by October 2015. The District is awaiting state legislative approval for a second phase, Phase II of the Facilities Modernization Program, which could entail approximately \$450 million in additional renovations to 25 additional school district buildings. Depending on legislative approval, the design work for Phase II of the program could begin as early as 2014, with all renovations to be completed over the subsequent 5 year period.

Age of School Building	Elementary	Secondary	Total
Under 20	3	2	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	38	13	51

Oldest Building = 115; Average Age = 68

Note: School #16 is temporarily closed but included in the numbers above. It is anticipated to be reopened for the 2014-15 school year.

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 \$1.98 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 \$29.7 and \$59.4 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 2012-13 to 2016-17. Funds have been earmarked for continuing specific program initiatives such as:

- *Building Security and Fire Alarm System Upgrades* – \$2.5 million has been allocated in this program including \$500 thousand in the current year to specifically address needed upgrades to security camera systems and modernizing the fire alarm network.
- *Academic Improvement Initiatives* – This capital program budgets \$17.0 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 \$12.6 - \$13.3 million is scheduled for long-term facility upgrades annually over the next five years from bond funding to address ongoing maintenance, repairs and regulatory compliance projects.

The City of Rochester continues to be concerned about New York State legislation associated with the Maintenance of Effort ("MOE") that the City must provide in funding support to the District. The City 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. In an effort to minimize this potential exposure to increased funding support required to the District, the City monitors the potential impact of the MOE legislation annually, prior to committing to new CIP funding for the District.

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. 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 2012-13, the RJSCB obtained \$103,055,000 in Bond funding to finance the completion of the first nine schools to be renovated under Phase I of the FMP program, and to support the initial program planning, project design and architectural services for the next three schools in 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 were:

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, some of which are:

- Increased instructional time through extended and expanded learning and attendance maximization
- Implementation of the Common Core curriculum
- Meeting the state requirements as a "priority district"
- Engagement through art, music, sports and extracurricular activities
- Increased focus on college and career readiness

Parental, Family and Community Involvement – The District recognizes that families and the community play significant roles in supporting their children's learning, guiding their children successfully through a complex school system and advocating strongly for their children and effective public schools. The District is committed to aggressively building strong partnerships among home, school, and community by:

- Adopting the National Standards for Family-School partnerships as the foundation for Family Engagement regulations and practices
- Fostering and promoting parent engagement as required in Title I, Part A, Section 1118.
- Charging the Office of Parent (Family) Engagement with providing support and monitoring schools to ensure integrative family and community engagement activities such as the "Parent

University”, a Parent (Family) Feedback and Complaints Procedure, and Family Engagement Professional Development.

Effective School and District Management – The District will improve the efficiency and effectiveness of management systems in an effort to accomplish goals and objectives by:

- Designing and implementing information systems that shift the focus from intervention to prevention of and early action on student achievement challenges
- Supporting school efforts to meet the Common Core standards
- Designing and implementing standards of excellence for the recruitment, development and retention of a highly effective and diverse staff, dedicated to student success

Effective, Efficient Allocation of Resources – The District will concentrate on stabilizing finances to fund priorities by focusing resources on student achievement by:

- Developing a 5-year plan to address the structural gap
- Deploying Central Office staff to support schools
- Negotiate collective bargaining agreements to moderate increases in employee costs and benefits
- More effective use of District space
- Align staffing with building needs

Improved 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 and to become a better “listening” organization.

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 2012-13 was \$146,984. The weighted average yield to maturity of purchases by the General Fund was .20% for 2012-13 and .25% for 2011-12.

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-four years, the District’s comprehensive annual financial report (CAFR) has earned the Association of School Business Officials International (ASBO) Certificate of Excellence Award. This award is made only to governmental units that publish a CAFR which is easily readable, efficiently

organized, and conforms to program standards, as well as satisfies generally accepted accounting principles (GAAP) and applicable legal requirements.

The ASBO Certificate of Excellence Award is valid for a period of one year. It is our belief that our current CAFR continues to meet the requirements of the Certificate of Excellence Award, and we are submitting it to ASBO to determine its eligibility for another certificate.

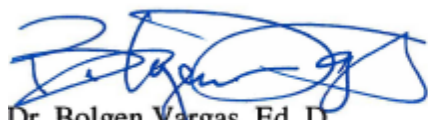
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rochester City School District for its CAFR for the fiscal year ended June 30, 2012. This was the twenty-third consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The GFOA Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


Acknowledgements

Our appreciation goes first to the entire staff of the Department of Accounting. The preparation of this report could not have been accomplished without the efficient and dedicated services of this staff. Their many hours of hard work in gathering, organizing and analysis of information 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 Ansbro
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rochester City School District
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Association of School Business Officials International



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

Rochester City School District Department of Finance

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

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



Ron McGulley, CPPB, RSBO
President

John D. Musso, CAE, RSBA
Executive Director

List of Rochester City School District Officials As of June 30, 2013

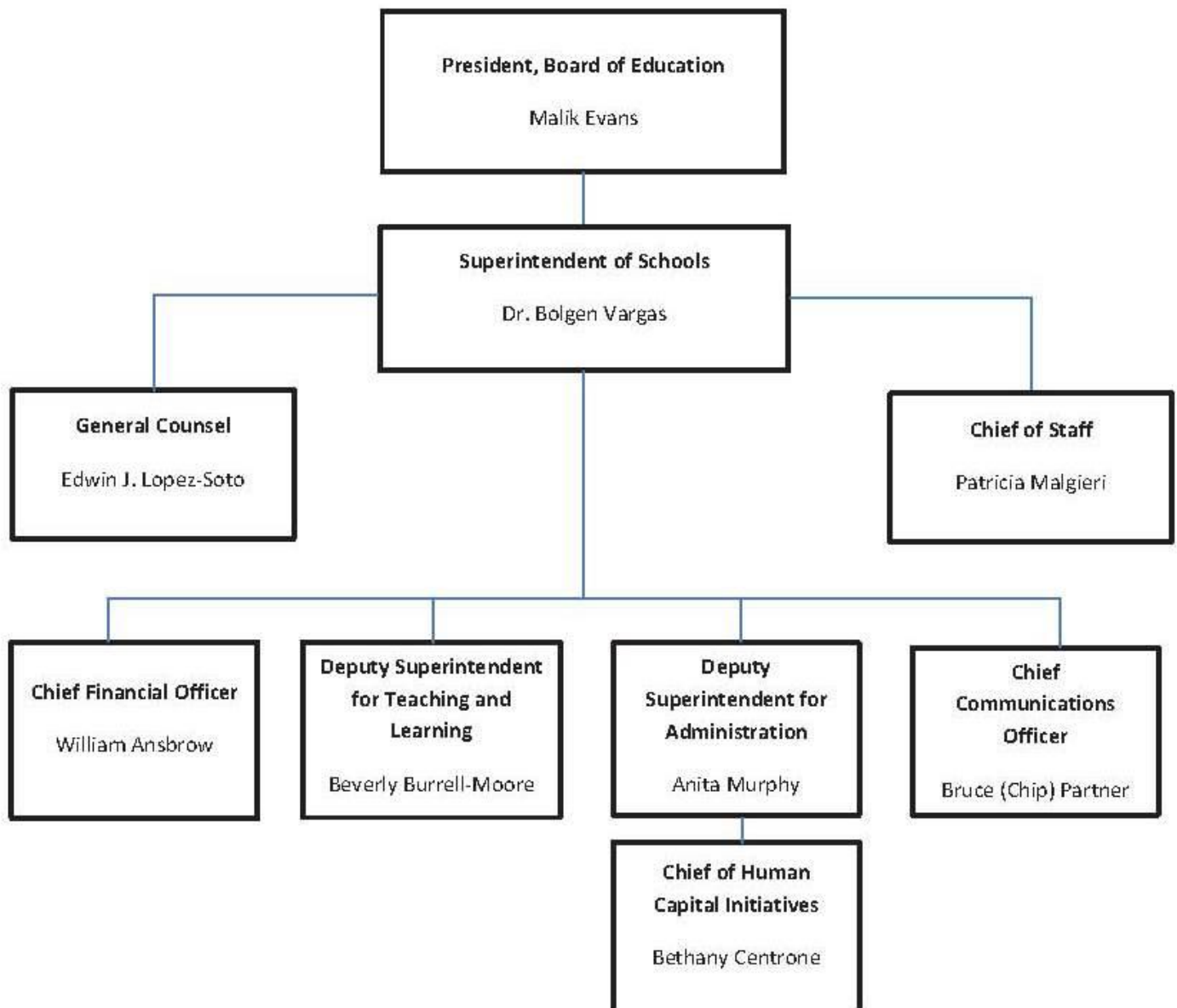
MEMBERS OF THE BOARD OF EDUCATION

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

MANAGEMENT CABINET

Bolgen Vargas	Superintendent of Schools
William Ansbro	Chief Financial Officer
Lori Baldwin	Director of Security Operations
Anne Brown-Scott	Chief of Schools (Northwest Zone)
Beverly Burrell-Moore	Deputy Superintendent of Teaching & Learning
Bethany Centrone	Chief of Human Capital Initiatives & Labor Relations
Vernon Connors	Director of Budget
Linda Johnson	Acting Executive Director of Special Education & Related Services
Annmarie Lehner	Information Technology Officer
Edwin Lopez-Soto	General Counsel
Patricia Maltieri	Chief of Staff
Wakili Moore	Principal, Leadership Academy for Young Men
Anita Murphy	Deputy Superintendent of Administration
Brenda Pacheco	Chief of Schools (Northeast Zone)
James Palermo	Principal, School #2
Juliette Pennyman	Chief of Schools (South Zone)
Denise Rainey	Principal, School #52
Vicma Ramos	Executive Director of Student Equity & Placement
Michael Schmidt	Chief of Operations
Anibal Soler, Jr.	Principal, East High School
Jerome Underwood	Senior Director of Youth Development & Family Services
Marion Whitfield	Principal, School 41

ROCHESTER CITY SCHOOL DISTRICT



THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for retiree health plan and budgetary comparison schedules on pages 17-31 and 73-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District'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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules, as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
November 13, 2013

 **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, 2013. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities at June 30, 2013 by \$60,487,157; a decrease of \$22,760,426 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 \$264,609,666 an increase of \$74,754,993, in comparison with the prior year. The primary reason for such a significant increase was the issuance of bonds in the amount of \$103,055,000 which will be used to pay for construction costs associated with the renovation and improvement of nine 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 \$19,342,801 or 3.1% of total budgeted general fund expenditures of \$616,550,831 for 2013-14.

Overview of the Financial Statements

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

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

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

The *statement of governmental activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items

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

that will only result in cash flows in future fiscal periods (e.g., claims payable and vacation time earned but unused).

Both of the government-wide financial statements present functions of the District that are principally supported by state and federal aid and intergovernmental revenues (*governmental activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services and interest on debt. The government-wide financial statements can be found on pages 33 and 34 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 35-41 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

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

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 42 and 43 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 44-70 of this report.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the District, asset and deferred outflows exceeded liabilities by \$60,487,157 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$231,321,889 reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students and citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net deficit of \$170,834,732 reported at June 30, 2013 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	<u>2011-12</u>	<u>2012-13</u>
Current and other assets	\$ 296,205,887	\$ 382,615,851
Capital assets (net of accumulated depreciation)	<u>400,525,327</u>	<u>471,614,758</u>
Total assets	696,731,214	854,230,609
 Deferred charge on refunding	 -	 2,184,976
Total deferred outflows of resources	<u>-</u>	<u>2,184,976</u>
 Long-term liabilities outstanding, as reclassified	 504,198,950	 673,953,454
Other liabilities, as reclassified	<u>109,284,681</u>	<u>121,974,974</u>
Total liabilities	<u>613,483,631</u>	<u>795,928,428</u>
 Invested in capital assets, net of related debt	 226,080,564	 231,321,889
Unrestricted (Deficit)	<u>(142,832,981)</u>	<u>(170,834,732)</u>
Total net position	<u><u>\$ 83,247,583</u></u>	<u><u>\$ 60,487,157</u></u>

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

“Current and other assets” increased by approximately \$86.4 million during fiscal year 2012-13. Of this increase, approximately, \$70.2 million is attributable to increases in cash and cash equivalents, primarily as a result of bonds issued for capital improvements. Amounts due from other governments increased by approximately \$16.6 million as compared to the prior year primarily due to a federal interest subsidy for Qualified School Construction Bonds due the District in the amount of \$1.5 million, proceeds from premiums on debt issues due from the City of Rochester in the amount of \$4.8 million and timing delays in the receipt of federal and state funded grant payments in the amount of \$8.9 million due to unfavorable economic conditions.

“Capital assets (net of accumulated depreciation)” increased by approximately \$71.1 million during fiscal year 2012-13. This increase is comprised of \$19.0 million in capital spending on building improvements and equipment by the District and \$77.4 million on building improvements by the RJSCB, offset by \$24.7 million in depreciation and \$.6 million in retirement of District assets recorded during the fiscal year.

“Deferred charges on refunding” of approximately \$2.2 million incurred in 2012-13 are attributable to bond refunding for originating Series’ 2002C, 2004A and 2004B performed during the fiscal year. No bond refundings occurred during 2011-12.

“Long-term liabilities outstanding” increased by approximately \$169.8 million overall, as compared to the prior year. As mentioned previously, approximately \$103.1 million in bonds payable were issued in association with the Facilities Modernization Program at the end of the fiscal year, contributing to an overall net increase of \$136.3 million in bonds payable. Other significant increases in long-term liabilities were a net increase of \$23.4 million in bond premiums which will be amortized over the life of the bonds, \$4.6 million associated with self-funded health insurance and \$13.9 million in post-employment health insurance. These increases were offset by decreases for scheduled, amortized payments on a special revenue bond, early retirement incentives, a lottery aid advance and installment purchases.

The \$12.7 million increase in “Other liabilities” was primarily due to a \$45.1 million increase in accounts payable and accrued liabilities. Also, increases in amounts due to the New York State retirement systems of approximately \$1.4 million resulting from rate increases were offset by decreases in BANs payable of \$35.2 million. As of June 30, 2013, there were no BANs outstanding. When compared to the prior fiscal year end, accounts payable and accrued liabilities increased \$2.4 million and \$21.8 million for the Capital fund and the RJSCB fund, respectively. The increase was due to an increase in outstanding construction commitments at year end. In the case of the RJSCB, the large increase was a direct result of six school buildings being in the construction phase of building renovation; whereas, at the prior year end, these buildings were still in the design phase of renovation. Other increases to accounts payable and liabilities were due to the inception of self-funded health insurance, which contributed to a liability of approximately \$4.6 million. There was also a Rochester Teachers’ Association (RTA) Contract Pay liability of \$8.5 million, whereby employees could elect to be paid over the summer months; this election did not exist in the previous year. Grant funded salary and benefits accruals increased by over \$4 million as compared to the previous year, mostly due to stipend payments associated with the Teachers’ Incentive Fund, a grant which was newly approved during fiscal 2012-13.

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

As mentioned previously, the unrestricted deficit of \$170,834,732 reported at the end of fiscal year 2012-13 is not current and represents liabilities that will be funded with future budgets. Presented below are details of the District's changes in net position:

<u>Governmental Activities</u>	<u>2011-12</u>	<u>2012-13</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,494,163	\$ 2,179,901
Operating grants and contributions	103,192,159	101,980,675
General revenues:		
State & federal aid	396,973,771	413,568,396
Intergovernmental	119,100,000	119,100,000
Lottery aid	59,355,281	63,012,095
Other	7,399,730	8,572,254
Total Revenues	<u>688,515,104</u>	<u>708,413,321</u>
Expenses		
General support:		
Board of Education	937,364	804,532
Chief School Administrator	823,745	1,018,962
Finance	5,624,636	5,957,755
Staff	6,337,641	6,016,143
Central Services	71,636,605	74,430,768
Other	6,461,292	8,665,885
Total General Support	<u>91,821,283</u>	<u>96,894,045</u>
Instruction:		
Administration and improvement	66,516,877	73,712,391
Teaching	422,176,283	434,230,713
Instructional media	9,361,416	9,222,737
Pupil services	36,379,149	36,650,565
Total Instruction	<u>534,433,725</u>	<u>553,816,406</u>
Pupil transportation	59,602,833	65,325,728
Community services	3,642,674	2,604,672
Interest long-term debt	7,502,523	12,532,896
Total Expenses	<u>697,003,038</u>	<u>731,173,747</u>
Increase (decrease) in net assets	(8,487,934)	(22,760,426)
Net assets - Beginning	<u>91,735,517</u>	<u>83,247,583</u>
Net assets - Ending	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>

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

Program revenues for charges for services decreased by approximately \$.3 million from fiscal year 2011-12 to 2012-13 primarily due to the elimination of out-of-pocket student meal purchases as a result of the implementation of the Community Eligibility Option (CEO), in which all students are eligible for free meals.

Program revenues from operating grants and contributions decreased by approximately \$1.2 million, this decrease is primarily due to the phase-out of funding received from the American Recovery and Reinvestment Act (ARRA) related to Educational Jobs.

"State and federal aid" increased by approximately \$16.6 million, primarily due to increases in various categories of New York State aid, such as a \$9.2 million increase in Basic Formula aid, a \$2.8 million increase in Excess Cost aid, and the inception of \$1.3 million of Bullet Aid (a one-time special legislative aid). An additional increase in School Food Service aid in the amount of \$2.7 million occurred as a result of the implementation of the CEO described above.

"Lottery aid" increased by approximately \$3.7 million as compared to the previous year. The amount of Lottery aid awarded to the District each year is determined by the State and is also affected by the amount of lottery sales from year to year.

Expenditures in "General support" increased by approximately \$5.1 million as compared to the previous year primarily due to contractual salary and benefit increases. Benefit increases include such items as compensated absences, retirement system contributions, and health insurance costs for active employees and retirees.

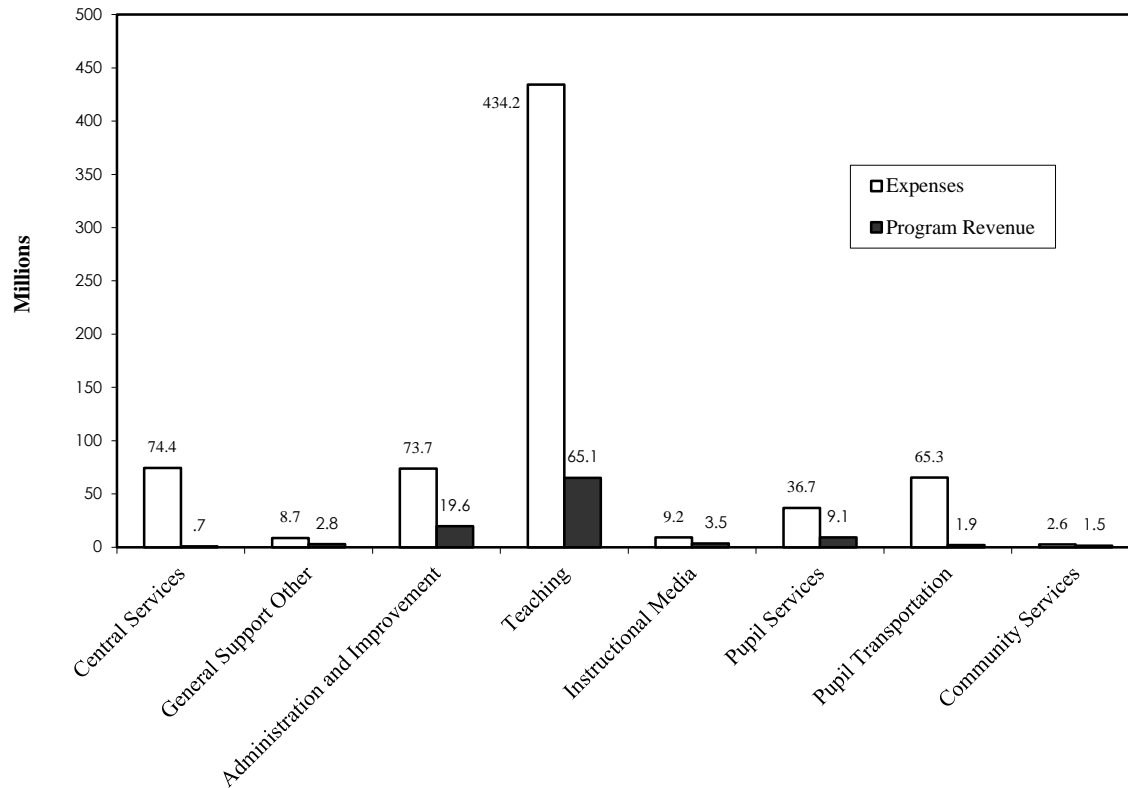
Instructional expenditures for "Administration and improvement" and "Teaching" increased by approximately \$7.2 million and \$12.1 million, respectively. These increases are primarily due to contractual salary and benefits related increases as previously described, as well as a \$6.0 million increase in payments to Charter schools as compared to the previous year in the "Teaching" category.

"Pupil transportation" increased by approximately \$5.7 million, primarily due to increases in employee benefits and contractual salary increases, fuel cost increases of approximately \$0.04 per gallon as compared to the prior year, increases in contract transportation of approximately 2%, and a 9% increase in the number of contracted buses needed to cover additional routes.

"Interest on Long-Term Debt" increased by approximately \$5.0 million as compared to the previous year due to expenditures for debt associated with the Facilities Modernization Program.

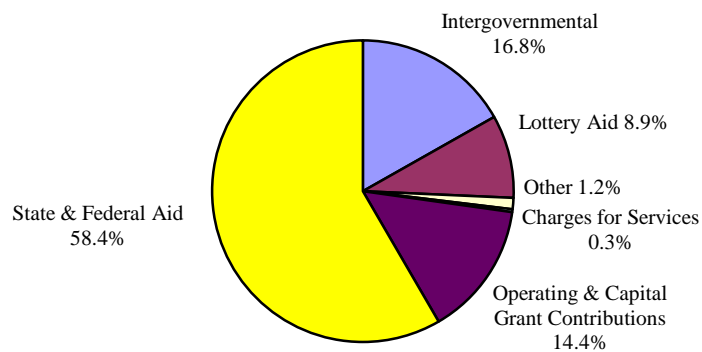
**ROCHESTER CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTAL INFORMATION**

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 \$264,609,666, an increase of \$74,754,993 from the prior year's fund balance of \$189,854,673. Components of the fund balance consist of a non-spendable fund balance of \$5,737,512, a restricted fund balance of \$4,735,764, a committed fund balance of \$32,588,485, an assigned fund balance of \$202,205,104 and an unassigned fund balance of \$19,342,801. The non-spendable fund balance is the portion of the fund balance that cannot be spent because of its form, such as inventory, or that will never be converted to cash, such as prepayments. The restricted fund balance is comprised of premiums associated with debt issues that must be used to pay down debt in accordance with Local Finance Law. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

The primary reason for the increase of approximately \$74.8 million in the combined ending fund balance is that bonds were issued during the fiscal year in the amount of \$103,055,000, to offset future expenditures for capital outlay in association with the Facilities Modernization Program (FMP). The bond related increases were offset by increased construction costs incurred during 2012-13, also associated with the 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 \$5,408,822 for prepayments in the non-spendable fund balance, \$4,735,764 of restricted fund balance, \$32,588,485 of committed fund balance, \$21,357,946 of assigned fund balance and \$19,342,801 of unassigned fund balance. For additional information on the District's General fund balance policies, see Note I. E. 15 of this report.

As a measure of the general fund's liquidity, it may be useful to compare both the assigned and unassigned portions of the general fund balance to the total fund expenditures (excluding transfers out) within a given year. In 2012-13, assigned and unassigned balances totaled \$40,700,747 and were approximately 7.3% of the total fund expenditures of \$557,896,859.

In the aggregate, revenues and other financing sources increased by 4.7% while expenditures and other financing uses increased by 5.7% from fiscal year 2011-12 to fiscal year 2012-13. Despite the outpacing of increased expenditures as compared to revenues, the net

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

effect of these changes increase the fund balance of the general fund by \$3,072,380 as compared to the previous year's balance.

Revenues from local sources decreased by approximately \$0.4 million from the previous fiscal year. This decrease is primarily attributable to a reduction in E-Rate reimbursements received in 2012-13 as compared to the previous year. E-rate provides discounts to assist schools and libraries to obtain affordable telecommunications and internet access. Discounts depend on the level of poverty and the urban/rural status of the population served. Discounts range from 20% to 90% of the costs of eligible services.

Revenues from State sources increased by approximately \$17.7 million during fiscal year 2012-13. Of this amount, approximately \$9.2 million is attributable to increases in New York State Basic Formula aid payable under New York State Education Law 3609a as compared to the previous year. The allocation of Basic Formula aid is determined annually by the State of New York, and is based on the State's financial position in any given year. Lottery aid also increased by approximately \$3.7 million in 2012-13 as compared to the previous year. The amount of funds disbursed by the State Education Department as Lottery Aid, under the state budget process, is based upon estimated Lottery earnings at the time of budget passage. In the event Lottery earnings exceed budget estimates, those additional funds become part of the next year's Lottery aid distribution. Additionally, the Excess Cost Aid increased by approximately \$2.8 million in 2012-13 as compared to the previous year. Excess Cost Aid is reimbursement for costs of educating Special Education students; as these costs increase, the associated aid increases. In 2012-13 the District also received a one-time appropriation of New York State Legislative Aid known as "Bullet Aid" in the amount of \$1.3 million.

Federal sources decreased by approximately \$.2 million as compared to the prior year, as a result of a reduction in the amount of Medicaid revenue received by the District associated with 2012-13 services as compared to the previous year.

District operating expenditures in the General fund increased by \$30.3 million, or 5.7% over the previous fiscal year. Notable changes occurred as follows:

Expenditures for the category "General Support – Central Services" increased by approximately \$1.6 million or 3.4%. The primary reasons for this increase were contractual salary increases and rising health insurance costs for the staff.

Expenditures for the category "General Support – Other" increased by approximately \$2.6 million or 24.3%. This occurred due to increases of \$1.6 million in judgments and claims expenditures for legal settlements, \$.5 million in costs for the general fund contribution towards pre-school education program costs funded in the Special Aid fund and \$.5 million in contractual salary increases and rising health insurance costs as compared to the previous year.

Instructional expenditures for teaching increased by \$14.8 million or 7.5%. Contractual salary increases and rising health insurance costs accounted for approximately \$8.8 million of the increase, while Charter School tuition accounted for an additional \$6.0 million.

Expenditures for special programs increased by \$3.8 million or 3.2%. Contractual salary increases and rising health insurance costs made up approximately \$2.9 million of the increase, while Special Education tuition increases resulted in \$.9 million in higher costs.

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

Expenditures for other instructional related items such as administration and student support services increased by \$2.8 million or 3.2%. In addition to contractual salary and benefit increases, increased expenditures for classroom technology occurred as part of the remote classroom/online course initiative.

Pupil Transportation expenditures increased by approximately \$5.1 million or 9.1% as compared to the previous year. This was primarily due to increases in employee benefits, fuel cost increases of approximately \$0.04 per gallon as compared to the prior year, increases in contract transportation of approximately 2%, and a 9% increase in the number of contracted buses needed to cover additional routes.

Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2011-12 to fiscal year 2012-13, as the Special Aid fund maintains a “zero” fund balance from year to year. However, total revenues and expenditures, including revenues and expenditures from other sources, decreased in fiscal year 2012-13 as compared to the previous year by approximately \$2.9 million, or 2.7% overall. This decrease is primarily attributable to ending of the ARRA Educational Jobs funding, which contributed to an \$8.3 million reduction in 2012-13. This reduction was offset by ARRA Race to the Top funding of approximately \$2.4 million that rolled over from 2011-12 to 2012-13 and approximately \$3.0 million of new funding in 2012-13 associated with the Teachers Incentive Fund (TIF) grant.

School Food Service

Revenues increased by approximately \$2.5 million, or 15.1% in the School Food Service fund during fiscal 2012-13 as compared to the prior year, while expenses increased by approximately \$1.6 million, or 9.4%. The aggregate result of these changes was an increase in the School Food Service fund balance of \$371,531 at the end of fiscal year 2012-13.

The School Food Service fund revenue increase during 2012-13 as compared to the prior year is primarily due to the implementation of the Community Eligibility Option (CEO), a new federal program offered to high-poverty districts. The CEO provides all children enrolled in the District access to free breakfast and lunch. This program has contributed to over 1,000 more breakfasts served per day in 2012-13 as compared to 2011-12, increasing the amount of federal aid claimed and received by the District. Additionally, the District has been focused on improved quality in an effort to capture and retain more participation in the District's meal program.

The expenditure increase in the School Food Service fund is primarily a function of increased food purchases associated with the increased number of meals (participation) served in 2012-13, as explained above. Additionally, the District's share of costs contributed to the Employees' Retirement System has risen due to the significant rate increases. In plan year 2011-12, the District paid an average, blended rate per employee participant of approximately 16.1% of the participant's salary. In the 2012-13 plan year this rate rose to 18.7%, or a 2.6% increase overall.

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

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

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 2012-13. Any balance in the Debt Service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned on existing, unused debt proceeds during the year. These earnings are transferred to the District's general operating fund and are used for repayment of future debt service requirements as per local finance law. During 2012-13, the Debt Service fund was also used to record two bond refundings. For additional information on these bond refundings, see Note IV. G. of this report.

Capital Projects

The capital projects ending fund balance for fiscal year 2012-13 increased by \$36.9 million from the prior year. The increase is the net result of recording approximately \$59.2 million in revenue and other funding sources less \$22.3 million in expenditures and other funding uses for the year.

It is normal for the Capital fund to initially finance construction improvements using BAN financing. Later, the District periodically converts these BANs to more permanent bond financing when long term interest rates appear advantageous to do so. When the BANs are converted to bonds or redeemed, the revenue is recognized. There were \$35.2 million in BANs converted to bonds or redeemed during fiscal year 2012-13. This conversion contributed to the significant increase in revenue and fund balance recorded for the year.

Expenditures increased by \$3.3 million as compared to the prior year. The increase was primarily due to more funding being accessible for capital expenditures during the current year.

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 \$34.4 million dollars due to revenue and additional funding sources associated with the issuance of bonds in the amount of \$121.8 million less the expenditures for capital outlay, administration and other uses of funds in the amount of \$87.4 million. The bond funds will be used to finance construction costs for the first nine schools and the design and program costs for the next three schools during the first of three phases of the Facilities Modernization Program.

The RJSCB recorded capital expenditures and bond issue costs of \$82.2 million for the fiscal year 2012-13, as compared to \$13.6 million in expenditures during 2011-12. The significant increase in expenditures of \$68.6 million is due to the increased expenditures associated with the construction program which began in the summer of 2012.

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

Budgetary Highlights – General Fund

The original 2012-13 budget was increased/amended by \$11,920,074 as follows:

<u>Revenues</u>	
Local sources	\$ 779,856
State sources	1,418,866
Federal sources	261,896
	<hr/> 2,460,618
Other financing sources - transfers in	9,459,456
	<hr/> \$ 11,920,074
<u>Expenditures</u>	
General support	\$ 68,087
Instructional	922,844
Pupil transportation	5,280,372
Community services	146,833
Employee benefits	(3,023,407)
Debt service	1,240,228
	<hr/> 4,634,957
Other financing uses - transfers out	7,285,117
	<hr/> \$ 11,920,074

Budgetary Highlights – General Fund

Significant changes between the original and final amended budgets for general fund revenues occurred primarily due to increases in state sources and other financing sources. State sources increased by approximately \$1.4 million due largely to a \$1.0 million increase in building aid. Other financing sources (transfers in) increased by \$9.4 million due to an additional \$4.5 million budgeted for premiums on capital improvement bond issues, and an additional \$4.9 million budgeted for Qualified School Construction Bond (QSCB) subsidies and capitalized interest related to the district's Facilities Modernization Project (FMP).

The most significant general fund expenditure budget changes occurred in the pupil transportation, employee benefits, debt service, and other financing uses (transfers out) categories. The pupil transportation expenditure budget increased by \$5.3 million due to additional bus routes required to service new Charter Schools and expanded after school and summer programs. The employee benefits budget decreased by \$3.0 million primarily as a result of a transition to self-funded health insurance from an experience-rated model. The budget for debt service expenditures increased by approximately \$1.2 million due to debt payments associated with the FMP.

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

Final Budget to Actuals – General Fund

Several general fund expenditure categories experienced significant favorable variances between the final budget and actual expenditures. The categories experiencing favorable variances include: instructional, general support, pupil transportation, employee benefits and debt service. The favorable variances in instruction were the result of lower spending for instructional and operating supplies, and for Charter School tuition due to lower than expected enrollment. The favorable variances in general support occurred due to reduced spending for administrative and support services salaries, professional development contracts, instructional and operating materials, and health services provided by BOCES.

The variance in central services occurred as a result of reductions in construction services, lower rental expenses, and favorable utility costs due to declining natural gas prices. Pupil transportation services experienced positive variances due to utilization of fewer contractual transportation services provided by third-party carriers. The favorable variance in benefits is primarily due to savings incurred due to the transition from an experienced-rated to a self-insured health insurance model in January 2013. The favorable variance in debt service was primarily due to bond refundings performed during the fiscal year.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2013 amounted to \$471,614,758 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery, equipment, and construction in progress. There was a net increase in the District's investment in capital assets for the current fiscal year of \$71,089,431.

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

- Ongoing repairs and improvements. The District added \$19.0 million in capital assets during the fiscal year consisting of long-term facility improvements and code compliance projects at facilities throughout the District. These address issues such as: roof replacements, masonry repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.
- The Rochester Joint Schools Construction Board (RJSCB) added an additional \$77.4 million in capital assets for the District during fiscal year 2012-13. These asset additions were mainly for the construction and renovation of the first six school buildings and for the design and architectural services associated with the next six school buildings included within Phase I of the Rochester School Modernization Program (RSMP). The overall project budget for Phase I of the RSMP is \$325 million over five years.

**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>2011-12</u>	<u>2012-13</u>
Land	\$ 17,439,068	\$ 17,439,068
Buildings & Improvements	352,830,168	336,903,369
Equipment & Other	14,151,813	14,969,727
Construction in Progress	16,104,278	102,302,594
Total	<u><u>\$ 400,525,327</u></u>	<u><u>\$ 471,614,758</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 \$398,968,000, of which \$171,813,000 were general obligation and school facility revenue bonds associated with the District's capital improvement plan and \$227,155,000 was school facility revenue bonds associated with the RJSCB's capital improvement program.

	<u>2011-12</u>	<u>2012-13</u>
RCSD Bonds	\$ 138,555,400	\$ 171,813,000
RJSCB Bonds	124,100,000	227,155,000
Total	<u><u>\$ 262,655,400</u></u>	<u><u>\$ 398,968,000</u></u>

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

The 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, 2013 was \$206,975,273, leaving a debt contracting margin of \$35,162,273. The debt limit associated with the RJSCB is not subject to the City debt limit cap.

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

Economic Factors and Next Year's Budgets and Rates

The District is located within the City of Rochester (Rochester). Rochester struggles to maintain a strong economy even though its major employers have gone through significant downsizing. Local economic challenges are further impacted by New York State's struggle to respond to its own budget deficit. The District began the 2013-14 budget planning process with a projected \$50.2 million deficit. This deficit was balanced through a \$4.2 million increase in State Aid, the use of \$6.2 million in appropriated funds and \$11.4 million in deferred ERS and

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

TRS employer contributions, and \$28.4 million in program and staffing efficiencies and other changes. Despite these program and staffing efficiencies, the District continues to experience rising costs. Major increases planned for the 2013-14 fiscal year include Charter School tuition increases of \$6.1 million and transportation increases of \$3.0 million. Contractual salary increases and rising employee benefit costs are offset in the 2013-14 Budget by the planned workforce reduction of 169 FTEs through efficiencies and the pension smoothing plan. As part of its struggle to meet these growing costs, the District is currently reviewing alternatives to adjust staffing, employee benefits and contractual goods and service costs from providers.

General Fund

The 2013-14 original budget of \$616,550,831 represents an increase of approximately .84% from the 2012-13 amended budget of \$611,436,870. The increase is attributable to contractual salary and benefit increases, significant operating increases in Charter School tuition and student transportation costs, and increased debt service 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 POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Cash & Cash Equivalents	\$ 315,480,257
Accounts Receivable	2,261,350
Due from Other Governments	59,352,930
Prepayments and Deposits	5,495,096
Inventories	26,218
Capital Assets (net of accumulated depreciation):	
Land	17,439,068
Buildings & Improvements	336,903,369
Equipment & Other	14,969,727
Construction In Progress	102,302,594
Total Assets	854,230,609
Deferred Outflows of Resources	
Deferred Charge on Refunding	2,184,976
Total Deferred Outflows of Resources	2,184,976
Liabilities	
Accounts Payable and Accrued Liabilities	78,089,558
Due To Fiduciary Funds	2,357,630
Due To Other Governments	3,372,471
Due To Retirement Systems	35,251,550
Unearned Revenue	2,903,765
Noncurrent Liabilities:	
Due Within One Year	42,967,477
Due in More Than One Year	630,985,977
Total Liabilities	795,928,428
Net Position	
Net Investment in Capital Assets	231,321,889
Unrestricted (Deficit)	(170,834,732)
Total Net Position	\$ 60,487,157

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, 2013**

Function / Program	Expense	Program Revenues		Net (Expense) Revenue Changes in Net Position Government Activities
		Charges for Services	Operating Grants and Contributions	
General Support:				
Board of Education	\$ 804,532	\$ -	\$ -	\$ (804,532)
Chief School Administrator	1,018,962	-	-	(1,018,962)
Finance	5,957,755	-	-	(5,957,755)
Staff	6,016,143	-	-	(6,016,143)
Central Services	74,430,768	676,701	17,376	(73,736,691)
Other	8,665,885	94,423	2,750,591	(5,820,871)
Total General Support	96,894,045	771,124	2,767,967	(93,354,954)
Instruction:				
Administration and Improvement	73,712,391	-	19,560,491	(54,151,900)
Teaching	434,230,713	1,408,777	63,688,866	(369,133,070)
Instructional Media	9,222,737	-	3,492,121	(5,730,616)
Pupil Services	36,650,565	-	9,092,812	(27,557,753)
Total Instruction	553,816,406	1,408,777	95,834,290	(456,573,339)
Pupil Transportation	65,325,728	-	1,854,036	(63,471,692)
Community Services	2,604,672	-	1,524,382	(1,080,290)
Interest on Long-Term Debt	12,532,896	-	-	(12,532,896)
Total Governmental Activities	\$ 731,173,747	\$ 2,179,901	\$ 101,980,675	(627,013,171)
General Revenues:				
Intergovernmental (Unrestricted)				119,100,000
Use of Money & Property				283,477
State & Federal Aid (Unrestricted)				413,568,396
Lottery Aid (Unrestricted)				63,012,095
Miscellaneous				8,288,777
Subtotal, General Revenues				604,252,745
Changes in Net Position				(22,760,426)
Net Position - Beginning				83,247,583
Net Position - Ending				\$ 60,487,157

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 118,871,230	\$ -	\$ 9,543
Receivables:			
Accounts	1,647,521	201,388	412,441
Due from other funds	16,889,485	1,618,196	848,925
Due from other governments	24,724,053	31,217,366	1,941,559
Prepayments and deposits	5,483,822	2,885	1,180
Inventories at cost	-	-	26,218
Total assets	<u>\$ 167,616,111</u>	<u>\$ 33,039,835</u>	<u>\$ 3,239,866</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 37,614,916	\$ 7,451,377	\$ 1,710,197
Due to other funds	14,605,250	16,862,715	-
Due to other governments	3,159,992	212,479	-
Due to retirement systems	28,802,135	5,609,499	723,672
Unearned revenues	-	2,903,765	-
Notes payable - BANS	-	-	-
Total liabilities	<u>84,182,293</u>	<u>33,039,835</u>	<u>2,433,869</u>
Fund balances:			
Nonspendable			
Inventory	-	-	327,510
Prepayments	5,408,822	-	1,180
Restricted For			
Debt service	4,735,764	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	10,698,727	-	-
OPEB	20,889,758	-	-
Assigned For			
Subsequent year's expenditures	11,578,941	-	-
Transportation expenditures - buses	1,186,000	-	-
Facilities modernization local share	6,500,000	-	-
Health insurance	1,940,696	-	-
General support	29,133	-	-
Instructional support	123,176	-	-
School food service	-	-	477,307
Capital expenditures	-	-	-
Rochester joint schools construction	-	-	-
Unassigned	19,342,801	-	-
Total fund balance	<u>83,433,818</u>	<u>-</u>	<u>805,997</u>
Total liabilities and fund balances	<u>\$ 167,616,111</u>	<u>\$ 33,039,835</u>	<u>\$ 3,239,866</u>

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

Capital Projects	RJSCB	Total Governmental Funds
\$ 21,580,240	\$ 175,019,244	\$ 315,480,257
-	-	2,261,350
10,044,154	-	29,400,760
-	1,469,952	59,352,930
-	7,209	5,495,096
-	-	26,218
<u>\$ 31,624,394</u>	<u>\$ 176,496,405</u>	<u>\$ 412,016,611</u>
\$ 3,860,789	\$ 23,483,490	\$ 74,120,769
-	290,425	31,758,390
-	-	3,372,471
116,244	-	35,251,550
-	-	2,903,765
-	-	-
<u>3,977,033</u>	<u>23,773,915</u>	<u>147,406,945</u>
-	-	327,510
-	-	5,410,002
-	-	4,735,764
-	-	1,000,000
-	-	10,698,727
-	-	20,889,758
-	-	11,578,941
-	-	1,186,000
-	-	6,500,000
-	-	1,940,696
-	-	29,133
-	-	123,176
-	-	477,307
27,647,361	-	27,647,361
-	152,722,490	152,722,490
-	-	19,342,801
<u>27,647,361</u>	<u>152,722,490</u>	<u>264,609,666</u>
<u>\$ 31,624,394</u>	<u>\$ 176,496,405</u>	<u>\$ 412,016,611</u>

ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013

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

Total fund balances	\$264,609,666
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	369,312,164
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	102,302,594
Deferred charges are not available resources and, therefore, are not reported in the funds.	2,184,976
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(640,012,524)
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(3,968,789)
Premium associated with issuance of bonds are a liability in the statement of net position and are a revenue in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(33,940,930)
Net position of governmental activities	<u>\$ 60,487,157</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(continued next page)

	General	Special Aid	School Food Service
Revenues			
Local sources:			
Use of money and property (interest and rent)	\$ 242,836	\$ -	\$ -
Intergovernmental	119,100,000	-	-
Other	7,339,486	2,856,512	676,701
State sources	456,016,915	29,163,193	533,633
Federal sources	2,010,686	69,960,970	17,077,194
Surplus food	-	-	942,062
Sales	-	-	94,423
Total revenues	<u>584,709,923</u>	<u>101,980,675</u>	<u>19,324,013</u>
Expenditures			
Current:			
General Support:			
Staff	5,906,382	-	-
Central services	48,035,722	17,376	-
Other	13,226,980	2,750,591	10,091,076
Instructional:			
Teaching - regular school	211,831,303	32,849,426	-
Special apportionment programs	122,754,882	16,427,370	-
Other	89,164,883	47,350,216	-
Pupil transportation	61,508,722	1,854,036	-
Community services	921,990	1,524,382	-
Cost of sales	-	-	8,861,406
Debt service:			
Principal	4,194,488	-	-
Interest	351,507	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>557,896,859</u>	<u>102,773,397</u>	<u>18,952,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,813,064</u>	<u>(792,722)</u>	<u>371,531</u>
Other Financing Sources (Uses)			
Proceeds from debt reserve	738,164	-	-
Refunding bonds issued	-	-	-
Premium on refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Net premium on bond issuance	-	-	-
Issuance of long-term debt	-	-	-
Transfers in	10,011,849	1,045,116	-
Transfers out	(34,490,697)	(252,394)	-
Total other financing sources (uses)	<u>(23,740,684)</u>	<u>792,722</u>	<u>-</u>
Net change in fund balances	<u>3,072,380</u>	<u>-</u>	<u>371,531</u>
Fund balances - beginning	80,361,438	-	434,466
Fund balances - ending	<u>\$ 83,433,818</u>	<u>\$ -</u>	<u>\$ 805,997</u>

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

Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ 36,322	\$ -	\$ 4,319	\$ 283,477
-	-	-	119,100,000
-	8,117	-	10,880,816
-	-	-	485,713,741
-	-	2,349,952	91,398,802
-	-	-	942,062
-	-	-	94,423
36,322	8,117	2,354,271	708,413,321
-	-	-	5,906,382
-	-	223,757	48,276,855
-	-	-	26,068,647
-	-	-	244,680,729
-	-	-	139,182,252
-	-	-	136,515,099
-	-	-	63,362,758
-	-	-	2,446,372
-	-	-	8,861,406
29,360,400	-	-	33,554,888
13,570,473	-	-	13,921,980
417,258	-	1,674,239	2,091,497
-	21,961,763	80,510,489	102,472,252
43,348,131	21,961,763	82,408,485	827,341,117
(43,311,809)	(21,953,646)	(80,054,214)	(118,927,796)
-	-	-	738,164
37,785,000	-	-	37,785,000
3,309,791	-	-	3,309,791
(22,730,000)	-	-	(22,730,000)
4,735,764	-	16,045,055	20,780,819
-	50,744,015	103,055,000	153,799,015
26,707,340	8,462,241	338,445	46,564,991
(6,496,086)	(377,613)	(4,948,201)	(46,564,991)
43,311,809	58,828,643	114,490,299	193,682,789
-	36,874,997	34,436,085	74,754,993
-	(9,227,636)	118,286,405	189,854,673
\$ -	\$ 27,647,361	\$ 152,722,490	\$ 264,609,666

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, 2013

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

Net change in fund balances -- total governmental funds	\$ 74,754,993
Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.	(191,584,015)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,184,976
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.	59,996,762
The net increase in long-term debt for governmental funds is not recorded as an expenditure in governmental funds. Such expenditures for changes in the liabilities for other post-employment benefits, claims payable and compensated absences are recorded in the statement of net position.	(14,733,329)
Capital projects expenditures for capital assets, construction in progress and certain equipment and building improvements are recorded in funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	96,387,292
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(24,671,634)
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(4,950,807)
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.	4,324,580
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.	(1,035,322)
Premium associated with issuance of bonds are a liability of the statement of net position 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.	(23,433,922)
Changes in net assets of governmental activities	<u>\$ (22,760,426)</u>

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

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Agency Funds	Private Purpose Trusts
Assets		
Cash and Cash Equivalents	\$ 567,168	\$ 280,033
Due from Other Funds	2,293,168	64,462
Total Assets	<u>\$ 2,860,336</u>	<u>\$ 344,495</u>
Liabilities and Net Position		
Accrued Liabilities	\$ 592,276	\$ -
Accounts Payable	-	1,707
Due to Student Groups	179,761	-
Due to Retirement Systems	2,088,299	-
Total Liabilities	<u>2,860,336</u>	<u>1,707</u>
Net Position		
Held in Trust for Scholarships and Awards	<u>-</u>	<u>342,788</u>
Total Liabilities and Net Position	<u>\$ 2,860,336</u>	<u>\$ 344,495</u>

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

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trusts
Additions:	
Interest	\$ 621
Scholarships	15,000
Gifts and Donations	10,575
Total additions	<u>26,196</u>
Deductions:	
Scholarships	39,569
Gifts and Donations	45,723
Total deductions	<u>85,292</u>
Change in Net Position	(59,096)
Net Position - Beginning	<u>401,884</u>
Net Position - Ending	<u><u>\$ 342,788</u></u>

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2012 to June 30, 2013. Of these financial statements, the Statement of Net Position and Statement of Governmental 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

agreement (the “Memorandum of Understanding”) dated January 2010 by and between the City and the District. Pursuant to the Act, the RJSCB intends to undertake a project consisting of the design, reconstruction, or rehabilitation of existing school buildings for their continued use as schools by the District. Statements of RJSCB can be obtained from the RJSCB’s Executive Director, located at 1776 North Clinton Avenue, Rochester, New York 14621.

B. Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and the Statement of 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 used for expenditures for specified purposes.

Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

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

Rochester Joint Schools Construction Board (RJSCB) Fund – This fund is used to record the transactions associated with the design, construction, reconstruction, and

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

financing of public educational facilities in the City. The RJSCB is authorized to act as an agent to enter into contracts on behalf of the Board of Education in accordance with applicable state and local laws.

The District also reports fiduciary funds in its financial statements in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the government-wide financial statements, because their resources are not the property of the District, and are not available to be used. The fiduciary funds are as follows:

Agency Fund – This fund is custodial in nature and does not involve the measurement of results of operations. Assets are held by the District, acting as agent, for various student activities, health, contract performance, and payroll or employee withholdings.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

E. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

Deposits include demand deposits and certificates of deposit. Deposits are collateralized with eligible securities 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 \$36,322 for fiscal year 2012-13, 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. Interfund Transactions

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

5. Inventories

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

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 \$5,408,822 at June 30, 2013. The majority of this amount is associated with tuition payments made to charter schools for services to be provided in the 2013-14 school year. Additionally, prepayments of \$2,885 for travel expenses were recorded in the Special Aid fund, \$1,180 for prepaid services were recorded in the School Food Service fund, and \$7,209 for prepaid insurance was recorded in the RJSCB fund. These prepayments will be recorded as expenditures during fiscal year 2013-14. The District also recorded \$75,000 as refundable deposits which were paid to third party administrators to fund any potential shortages for weekly payments of various health and dental claims.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualified for reporting in this category; the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods(s) and therefore, will *not* be recognized as an inflow of resources (revenue) until that time.

10. Unearned Revenue

The District received cash in advance of expenditures for Special Aid fund projects in the amount of \$2,903,765 during fiscal year 2012-13, and has recorded it as unearned revenue. These funds represent receipts for various grants that were not fully spent at June 30, 2013. As the funds are spent during fiscal year 2013-14, revenue will be recorded.

11. Vested Employee Benefits

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the fund statements only, the amount of matured vacation time is accrued within the General fund based on expendable and available resources. Sick time is expensed on a pay-as-you-go basis.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12. Other Benefits

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

13. Post-Employment Benefits

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

14. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums, if any, would be recorded in the Debt Service fund and deposited in the General fund to be used to retire the respective debt. The bond issuance costs are recorded by the City, the reporting entity which issues debt for the District. Issue costs associated with the Facilities Modernization Program are recorded by the Rochester Joint Schools Construction Board.

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

15. Fund Equity

Government-wide statements

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

- *Net investment in capital assets* - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.
- *Restricted net 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.
- *Unrestricted net assets* - reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Statements

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

- *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 or a designee appointed at the Superintendent's discretion, 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 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.

16. Encumbrances

The District maintains existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for construction related goods and services. At June 30, 2013, the District has \$15,461,033 in Capital fund encumbrances.

F. Use of Estimates

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

G. New Accounting Pronouncements

Effective with this financial report for the fiscal year ended June 30, 2013, the District has adopted the following Statements of the Governmental Accounting Standards Board (GASB):

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. Statement No. 61 does not have an impact on the District's financial position or results from operations.

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 does not have an impact on the District's financial position or results from operations.

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*, 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 did 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, however, the District has elected to early implement this statement during the year ending June 30, 2013.

H. Recent Accounting Pronouncements

The GASB has issued the following new statements:

- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62*, which will be effective for the year ending June 30, 2014;
- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which will be effective for the year ending June 30, 2014;

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which will be effective for the year ending June 30, 2015;
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending June 30, 2015; and
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015.

I. Subsequent Events

As part of the District's ongoing capital improvement program, the City of Rochester issued BANs in the amount of \$4,000,000 on behalf of the District on August 13, 2013. BANs are utilized for ongoing acquisition, construction and reconstruction of school buildings.

II. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the government-wide Statement of Net 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 (\$640,012,524) difference is as follows:

Bonds payable	\$ (398,968,000)
Compensated absences	(2,061,178)
Other post-employment benefits	(175,677,108)
Contractual obligations	(11,971,682)
Due to other governments	(24,143,198)
Claims payable	(27,191,358)
	<u>\$ (640,012,524)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of governmental activities.

One element of that reconciliation states that, “Proceeds of long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.” Details of this (\$191,584,015) difference is as follows:

Installment purchase debt proceeds	\$ (3,181,015)
Bond issuance proceeds	(188,403,000)
	<u>\$ (191,584,015)</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$59,996,762 difference are as follows:

Bond principal payments	\$ 53,526,196
Contractual obligation principal payments	<u>6,470,566</u>
	<u>\$ 59,996,762</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 (\$14,733,329) difference are as follows:

Claims payable	\$ (5,130,241)
Other post-employment benefits	(13,871,155)
New York State teachers retirement incentive	2,865,843
New York State employees retirement incentive	850,071
Compensated absences	<u>552,153</u>
	<u>\$ (14,733,329)</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 2012-13 began on July 1, 2012 and ended on June 30, 2013. 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, Special Aid, and School Food Service Fund Types, non-GAAP Budget Basis.

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

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

Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund's

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$11,920,074 for the General Fund and \$1,903,160 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 \$179,761 within the Agency fund restricted for extraclassroom activities, \$21,580,240 in the Capital Projects fund for unexpended bond proceeds, \$174,887,336 in the RJSCB fund for unexpended bond proceeds, and \$280,033 and \$64,462 in the Private Purpose Trust fund and General fund, respectively, restricted for scholarships and awards.

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

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

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

Custodial Credit Risk - For an investment, custodial credit risk occurs in the event of a failure of the counterparty in which the City will not be able to recover the value of its or the District's

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 \$255,727,425. 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 \$82,010,626. 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, 2013 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>
\$1,647,521	\$201,388	\$412,441	\$2,261,350

The General fund receivable primarily represents facilities rental, an accrual from BOCES for tuition and nursing services rate adjustments and retiree health reimbursements due the District. The Special Aid receivable represents accrued revenues for locally funded grants. The School Food Service receivable represents money due from the food service management company for inventories purchased from the District and contractual performance.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 17,439,068	\$ -	\$ -	\$ 17,439,068
Construction in Progress	16,104,278	96,749,138	10,550,822	102,302,594
Total capital assets not being depreciated	<u>33,543,346</u>	<u>96,749,138</u>	<u>10,550,822</u>	<u>119,741,662</u>
Capital assets being depreciated:				
Buildings & Improvements	591,838,384	3,052,735	546,017	594,345,102
Equipment & Other	51,117,367	7,136,241	4,404,790	53,848,818
Total capital assets being depreciated	<u>642,955,751</u>	<u>10,188,976</u>	<u>4,950,807</u>	<u>648,193,920</u>
Less accumulated depreciation for:				
Buildings & Improvements	(239,008,216)	(18,979,534)	(546,017)	(257,441,733)
Equipment & Other	(36,965,554)	(5,692,100)	(3,778,563)	(38,879,091)
Total accumulated depreciation	<u>(275,973,770)</u>	<u>(24,671,634)</u>	<u>(4,324,580)</u>	<u>(296,320,824)</u>
Total capital assets being depreciated, net	<u>366,981,981</u>	<u>(14,482,658)</u>	<u>(626,227)</u>	<u>351,873,096</u>
District capital assets, net	<u>\$ 400,525,327</u>	<u>\$ 82,266,480</u>	<u>\$ 11,177,049</u>	<u>\$ 471,614,758</u>

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

Instructional teaching regular school	\$ 19,078,910
General support central services	4,875,438
Pupil transportation	611,929
Community services	105,357
	<u>\$ 24,671,634</u>

Significant Construction Commitments

In 2012-13, the District expended \$96,387,292 on capital assets, \$77,361,756 for the RJSCB and \$19,025,536 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 \$705.0 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

Asset Impairment and Insurance Recoveries

During fiscal year 2012-13, the District had no material asset impairments or insurance recoveries.

Accounting and Financial Reporting for Intangible Assets

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013.

1. Interfund Receivables and Payables

Fund	Interfund Receivable	Interfund Payable
General	\$ 16,889,485	\$ 14,605,250
Special Aid	1,618,196	16,862,715
School Food Services	848,925	-
Capital Projects	10,044,154	-
RJSCB	-	290,425
Private Purpose Trusts	64,462	-
Agency	2,293,168	-
Total	\$ 31,758,390	\$ 31,758,390

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.

	General Fund	Debt Service Fund	Capital Fund	Special Aid Fund	RJSCB	Total Transfers Out
General Fund	\$ -	\$ 26,707,340	\$ 6,738,241	\$ 1,045,116	\$ -	\$ 34,490,697
Debt Service Fund	4,772,086	-	1,724,000	-	-	6,496,086
Capital Fund	39,168	-	-	-	338,445	377,613
Special Aid	252,394	-	-	-	-	252,394
RJSCB	4,948,201	-	-	-	-	4,948,201
Total Transfers In	\$ 10,011,849	\$ 26,707,340	\$ 8,462,241	\$ 1,045,116	\$ 338,445	\$ 46,564,991

E. Due from Other Governments

	General Fund	Special Aid Fund	School Food Service Fund	RJSCB	Total
Local Governments	\$ 5,975,454	\$ 1,432,133	\$ -	\$ -	\$ 7,407,587
New York State	18,259,228	13,211,125	152,381	-	31,622,734
Federal Government	489,371	16,574,108	1,789,178	1,469,952	20,322,609
Total	\$ 24,724,053	\$ 31,217,366	\$ 1,941,559	\$ 1,469,952	\$ 59,352,930

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 2012-13 for operating leases was approximately \$96,000 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, 2013:

Fiscal Year	Receipts	Payments
2013-14	\$ 7,200	\$ 2,472,743
2014-15	-	2,338,443
2015-16	-	2,339,943
2016-17	-	2,174,890
2017-18	-	2,174,890
	<u>\$ 7,200</u>	<u>\$ 11,500,909</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, 2013:

	Balance June 30, 2012	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2013	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 2,613,331	\$ 7,397,346	\$ 7,949,499	\$ 2,061,178	\$ 2,061,178
Claims Payable	22,061,117	38,945,363	33,815,122	27,191,358	9,721,031
Other Post Employment Benefits	161,805,953	29,302,568	15,431,413	175,677,108	-
Due To Other Governments:					
New York State Advance	15,333,333	-	666,666	14,666,667	666,667
New York State Education					
Department	4,257,881	-	2,128,941	2,128,940	2,128,940
New York State Special					
Purpose Bond 2003	1,435,796	-	1,435,796	-	-
New York State Teachers'					
Retirement Incentive	8,513,289	-	2,865,843	5,647,446	2,823,723
New York State Employees'					
Retirement Incentive	2,550,216	-	850,071	1,700,145	850,072
Installment Purchase Debt	12,465,626	3,181,015	3,674,959	11,971,682	2,696,921
General Obligation Bonds -					
Serial Bonds	262,655,400	188,403,000	52,090,400	398,968,000	19,758,000
Premium	10,507,008	24,090,610	656,688	33,940,930	2,260,945
Long-term Liabilities	<u>\$ 504,198,950</u>	<u>\$ 267,229,292</u>	<u>\$ 120,908,710</u>	<u>\$ 673,953,454</u>	<u>\$ 42,967,477</u>
Capital Projects Fund:					
Bond Anticipation Notes	<u>\$ 35,162,000</u>	<u>\$ -</u>	<u>\$ 35,162,000</u>	<u>\$ -</u>	<u>\$ -</u>

Compensated absences paid in fiscal year 2012-13 totaled approximately \$7.4 million. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2011-12. The new issues / additions reflect the new long-term liability at June 30, 2013. The General fund is typically used to liquidate this and other debt related liabilities. The

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

	Workers'
	Compensation
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
Additions 2012-13	4,795,768
Payments 2012-13	4,240,585
Estimated claims June 30, 2013	\$ 22,580,683

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, of which the District received \$11,805,378 net of issuance costs. 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 2012-13, the District paid \$39,531 in interest net of escrow earnings and \$1,435,796 in principal payments for this bond. The final payment was made on June 1, 2013 from proceeds of the debt service pooled reserve fund of \$1,000,000, of which \$738,431 was the District's allocable portion.

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, 2013, one payment of \$2,128,940 remains.

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, 2013, the outstanding liability for these incentives was \$5,647,446 for the Teacher's Early Retirement Incentive and \$1,700,145 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

duration or until the equipment is no longer in service, whichever is sooner. The original amount of the contracts issued during fiscal 2012-13 is \$3,181,015.

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, 2013 was \$5,047,848 for Phase 1 and \$3,744,526 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 1.00% to 5.521%. The original amounts of these general obligation bonds are as follows:

Series Issue	Original Amount (000's)	Maturity Date
2001A	12,225	10/15/14
2001B	25,045	02/15/13
2002C ²	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 ¹	66,190	05/01/22
2012B ¹	57,910	05/01/28
2012 I	20,548	08/15/27
2012 II	5,655	08/15/19
2012 III	9,640	02/15/25
2012 IV	7,525	10/15/21
2012 V	14,965	02/15/22
2013 II	27,015	02/01/29
*2013A ¹	103,055	05/01/30

¹ Issued as part of the Facilities Modernization Plan (FMP)

² Refunded in fiscal 2012/13

As of June 30, 2013 the District had \$13,839,000 of authorized but unissued debt. The debt contracting margin of the District as of June 30, 2013 was \$35,162,273.

As a result of federal stimulus legislation that was enacted in early 2009, Build America Bonds (BAB) were issued. These bonds offer municipalities a 35% federal subsidy on interest payments on those BABs that are taxable. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, the amount outstanding at June 30, 2013. The District received its first subsidy of \$20,240 in August 2010, and semi-annual payments of \$16,192 thereafter. These subsidies are scheduled to be paid semi-annually through February

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2019. Effective March 1, 2013 Federal budget cuts on certain types of federal spending were enacted. These Federal budget cuts are known as “sequestration” and will reduce future amounts of subsidies scheduled to be received by the District.

On September 12, 2012, the District issued \$15,295,000 in general obligation bonds with an average interest rate of 2.79% to refund \$15,751,000 of outstanding 2002 C Series bonds with an average interest rate of 5.13%. The net proceeds of \$16,016,465 (after payment of \$198,252 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District’s financial statements. The District refunded the bonds to take advantage of interest rates that were an unprecedented low. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$2,639,230.

On November 15, 2012, the City of Rochester issued \$34,045,000 in general obligation bonds, of which \$22,490,000 were issued on behalf of the District, with an average interest rate of 3.49% to advance refund \$22,730,000 of outstanding 2004 Series bonds with an average interest rate of 3.9%. The net proceeds of \$24,859,319 (after payment of \$219,007 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District’s financial statements. The District advance refunded the bonds to take advantage of interest rates that were at an unprecedented low. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) of the District’s share of debt is approximately \$536,132.

The District paid no arbitrage to the Federal Government during 2012-13. 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, 2013 are being recorded as 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
2014	\$ 22,455	\$ 17,004	\$ 39,459
2015	30,289	17,055	47,345
2016	32,335	15,909	48,243
2017	33,212	14,605	47,817
2018	32,077	13,134	45,211
2019-2023	143,842	44,326	188,168
2024-2028	105,045	22,710	127,755
2029-2033	11,685	626	12,311
	<u>\$ 410,940</u>	<u>\$ 145,369</u>	<u>\$ 556,309</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

H. Bond Anticipation Notes

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. No BANs were outstanding at June 30, 2013.

V. OTHER INFORMATION

A. Risk Financing

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

Aggregate Limit	\$ 10,000,000
Each Occurrence	\$ 10,000,000

There has been no significant reduction in coverage from the previous year and there have been no settlements in excess of coverage in any of the prior three fiscal years. The District provides to its employees hospitalization, medical, dental, and life insurance through various insurance programs. Effective January 1, 2013, the District transitioned from an experience-rated to a self-funded health insurance plan. These programs are administered by the Department of Employee Benefits. The District maintains a policy of either full or partial self-insurance for workers' compensation and student accidents. These programs are administered by third party administrators.

The schedule below presents the calculation of the District's estimated claims at June 30, 2013 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' Compensation	Health Insurance	Student Accident	Total
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>
Estimated claims July 1, 2012	\$ 4,413,642	\$ -	\$ 35,617	\$ 4,449,259
Claims incurred 2012-13	4,937,299	34,055,625	93,970	39,086,894
Payments and reductions 2012-13	4,240,585	29,479,507	95,030	33,815,122
Estimated claims June 30, 2013	<u>\$ 5,110,356</u>	<u>\$ 4,576,118</u>	<u>\$ 34,557</u>	<u>\$ 9,721,031</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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District uses the general fund to account for its current risk financing activities. A current liability of \$5,110,356 and a non-current liability of \$17,470,327 for estimated future claims for the self-insured workers' compensation program have been recorded on the Statement of Position.

The District has been self-insured since 1978 for workers' compensation. The District does not purchase stop loss insurance for this, so it is at full risk for all claim payments. However, the District has committed \$10,698,727 of its fund balance for this purpose, which represents approximately 47.4% 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.

As mentioned previously, the District became self-insured for health insurance coverage effective January 1, 2013. The District's health insurance is administered by a third party administrator. The District purchases stop loss insurance to reimburse the District for individual claims in excess of \$350,000.

B. 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 New York State Retirement and Social Security Law (NYSRSSL). 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 11.84% of the annual covered payroll for the fiscal year ended June 30, 2013. Rates applicable to the fiscal years ended June 30, 2012 and 2011 were respectively, 11.11% and 8.62%. The District's required contributions paid to the TRS during the following fiscal years ended June 30 were 100 percent of the contributions required:

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Fiscal Year	Contributions
2012-13	\$29,194,862
2011-12	23,930,980
2010-11	16,169,411

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for the TRS. As part of 2012-13 contributions, \$2,896,814 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 NYSRSSL. The ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

Plan members who joined the ERS before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 who have less than 10 years of service or membership are required to contribute three percent of their annual salary. Employees joining on or after January 1, 2010 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, 2013; thereafter, those joining on or after April 1, 2013 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
2012-13	\$ 12,341,004
2011-12	10,296,085
2010-11	8,308,166

The District's contributions made to the ERS were equal to 100 percent of the contributions required for each year. As part of the 2012-13 contributions, \$249,263 was related to prior year adjustments and \$850,071, excluding early payment discounts, was related to the 2010 Early Retirement Incentive offered by New York State.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. Pension Liability as of June 30, 2013

Fund Group	Employee's Retirement System	Teachers' Retirement System	Total Retirement System
General	\$ 3,315,763	\$ 25,486,372	\$ 28,802,135
Special Aid	498,941	5,110,558	5,609,499
School Food Service	723,672	-	723,672
Capital Projects	114,791	1,453	116,244
Agency	170,780	1,917,519	2,088,299
Total	<u>\$ 4,823,947</u>	<u>\$ 32,515,902</u>	<u>\$ 37,339,849</u>

As part of the General fund's current liability for the Employee's Retirement System, \$850,071 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 \$4,250,355, to be repaid in five equal installments, the first of which was paid during fiscal 2011-12. The balance due to the NYSERS at June 30, 2013 is \$1,700,145. As part of the General fund's current liability for the Teachers' Retirement System, \$2,823,723 is associated with the NYSTRS Early Retirement Incentive offered by New York State in 2010. The District's total cost for this incentive is projected to be \$14,115,719 to be repaid in five equal installments, the first of which was paid during fiscal 2011-12. The balance due to the NYSTRS at June 30, 2013 is \$5,647,446.

4. Payroll

The total payroll for all employees of the District for the fiscal year 2012-13 was \$329,871,716 of which \$65,414,724 represented payroll costs for employees covered by the ERS, \$255,663,257 by the TRS, and \$8,793,735 for nonparticipating employees. All full-time teachers are mandatory members.

Required contributions made in 2012-13, 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	\$12,341,004	18.9	\$29,194,862	11.4	\$41,535,866	12.9
Employees	<u>2,029,760</u>	<u>3.1</u>	<u>1,973,433</u>	<u>0.8</u>	<u>4,003,193</u>	<u>1.2</u>
Total	<u>\$14,370,764</u>	<u>22.0</u>	<u>\$31,168,295</u>	<u>12.2</u>	<u>\$45,539,059</u>	<u>14.1</u>

C. Post-Employment Health Care Benefits

Plan Description

The Rochester City School District maintains a self-funded single-employer, post-retirement health care plan administered by Excellus. A publicly available financial report that includes financial statements and required supplementary information may be obtained by writing to Excellus Blue Cross Blue Shield of Rochester, Attn: Corporate Communications 165 Court Street Rochester, NY 14647.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Funding Policy

Provided an employee has at least ten consecutive years of continuous employment with the District prior to the date of retirement, the employee is eligible for retiree health benefits. Per the various collective bargaining agreements, which are subject to future renegotiation, the District may pay the full cost of retiree health benefits for some retirees under 65 years of age. Other retirees, depending on date of hire, may contribute 15% towards their retiree benefits. Effective January 1, 2013, the District became a self-funded provider of post-employment health insurance, of which Excellus is the District's third party administrator. Retirees who are under 65 years of age currently have 2 insurance plans to choose from.

Upon eligibility for Medicare, the District, per its collective bargaining agreements, will pay the full premium cost for the Basic Plan towards the Medicare Supplemental Plan premium. If the retiree chooses to enroll in Medicare Blue Choice, Health Maintenance Organization (HMO) plan or the Retiree Enhanced Plan, an Exclusive Provider Organization (EPO) plan, the District will contribute the equivalent dollar value of the Basic Plan toward the HMO/EPO premium. The retiree pays the difference between the District contribution and the actual HMO/EPO premium.

The District finances its post-employment health care benefit on a pay-as-you-go basis. The expenditure recognized at June 30, 2013 for this purpose was \$15,431,413. The number of participants enrolled in the District's retirees' health insurance group was 4,006 retirees, excluding survivors, for which there is no cost to the District.

Annual OPEB Cost and Net OPEB Obligation

The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's components of the annual OPEB cost for the fiscal year 2012-13, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$ 35,929,690
Interest on net OPEB obligation	6,472,238
Adjust to annual required contribution	<u>(13,099,360)</u>
Annual OPEB cost (expense)	29,302,568
Contributions made	<u>(15,431,413)</u>
Increase in net OPEB obligation	13,871,155
Net OPEB obligation - July 1, 2012	<u>161,805,953</u>
Net OPEB obligation - July 1, 2013	<u><u>\$ 175,677,108</u></u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2012-13 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>
6/30/2013	\$ 29,302,568	52.7	\$ 175,677,108
6/30/2012	\$ 27,550,751	53.2	\$ 161,805,953
6/30/2011	\$ 51,981,776	36.5	\$ 148,907,486

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 \$412.8 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, 2013. 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 2012-13 who are eligible for postretirement benefits is \$288,140,402. The ratio of the unfunded actuarial accrued liability at June 30, 2013 to annual covered payroll for 2012-13 is 143%. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements.

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

Actuarial Methods and Assumptions

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

Liabilities were computed using the projected unit credit method and are amortized on a level dollar open basis using a thirty year amortization period. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the District's general assets which are short-term in nature (such as money market funds) were considered in the selection of the 4% rate. The valuation assumes a 9% healthcare cost trend increase, beginning in calendar year 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 2012-13, MRA claims totaling \$18,885 were paid by the District and at June 30, 2013 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 of the program is currently underway and expected to total \$325 million in expenditures in up to 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

The RJSCB has arranged permanent financing for the second portion of Phase I of the FMP with bonds issued by the County of Monroe Industrial Development Agency ("COMIDA"). The second bond funding was closed on June 6, 2013 in the amount of \$103,055,000 plus a net premium on bond issuance of \$16,045,055. This was issued as School Facility Revenue Bonds, Series 2013 - Tax Exempt Bonds maturing May 1, 2030. The Tax Exempt Bonds were issued with coupon rates ranging from 3% to 5% and an overall net interest cost of 3.45%. The bond funds will be used for construction project expenditures associated with the first nine schools to be renovated in Phase IA and Phase 1B of the program, also for design and architectural services associated with the next three schools in the Phase IC of the program.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

concluded by motion, judgment, settlement or expiration of the statute of limitations throughout the year. The final outcomes of these claims and lawsuits in a given year cannot be predicted with any degree of accuracy. A liability is reported in the financial statements in the amount of \$2,950,000 relative to nineteen separate cases which were pending as of June 30, 2013.

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, 2013, the District has reserved and encumbered approximately \$56,475 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, 2013. As a precaution, as of June 30, 2013 the District has set aside an additional \$156,258 in funds which could be used for other pollution remediation obligations should the need arise.

F. Related Party Transactions

The District receives certain services from vendors in which a board member(s) is a vested employee. These services amounted to approximately \$16.7 million for the year ended June 30, 2013 for the Catholic Family Center, M&T Bank, the Rochester Area Community Foundation, the Hillside Work Scholarship Connection, the Ibero-American Action League, the Baden Street Settlement of Rochester, and Blue Sky Associates of Upstate NY. At June 30, 2013, the District had \$11,918 in outstanding accounts payable with these vendors.

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

Capital assets		\$767,935,582
Less: Depreciation	\$296,320,824	
Related outstanding debt	<u>240,292,869</u>	
Invested in Capital Assets, Net of Related Debt		<u>\$231,321,889</u>

The related outstanding debt comprises the following:

Bonds payable	\$398,968,000
Installment purchase debt	<u>11,971,682</u>
	410,939,682
Less: Unspent proceeds	<u>(170,646,813)</u>
	<u>\$240,292,869</u>

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Schedule of Funding Progress

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Actuarial accrued liability (AAL)	\$475,729,333	\$501,925,107	\$412,815,069
Actuarial value of assets	-	-	-
Unfunded AAL	<u>\$475,729,333</u>	<u>\$501,925,107</u>	<u>\$412,815,069</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 286,446,657	\$ 284,840,686	\$ 288,140,402
Unfunded AAL as a percentage of covered payroll	166.08%	176.21%	143.27%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Employer Contribution</u>
6/30/2013	\$ 15,431,413
6/30/2012	\$ 14,652,284
6/30/2011	\$ 18,990,689

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, 2013

General Fund				
	Budgeted Amounts			
	Original	Final		Variance With
REVENUES	Budget	Budget	Actual	Final Budget
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 225,000	\$ 238,753	\$ 242,836	\$ 4,083
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	6,397,578	7,163,681	7,339,486	175,805
State Sources	454,865,277	456,284,143	456,016,915	(267,228)
Federal Sources	1,500,000	1,761,896	2,010,686	248,790
Total Revenues	582,087,855	584,548,473	584,709,923	161,450
EXPENDITURES				
Current:				
General Support:				
Staff	5,889,275	4,487,724	4,258,310	229,414
Central Services	40,043,994	39,814,380	38,202,674	1,611,706
Other	9,626,669	11,325,921	10,879,114	446,807
Instructional				
Teaching -- Regular School	158,955,577	155,928,986	154,502,734	1,426,252
Special Apportionment Programs	94,016,137	93,371,430	92,695,758	675,672
Other	63,112,582	67,706,724	63,480,381	4,226,343
Pupil Transportation	55,562,910	60,843,282	58,962,074	1,881,208
Community Services	523,926	670,759	643,991	26,768
Employee Benefits				
Retirement	37,793,413	37,425,677	36,610,233	815,444
Social Security	20,650,045	19,749,275	19,745,360	3,915
Health Insurance	69,646,120	65,004,111	62,677,003	2,327,108
Workers' Compensation	3,196,675	4,237,617	4,200,015	37,602
Other	5,339,344	7,185,510	6,445,722	739,788
Debt Service	7,660,578	8,900,806	4,545,995	4,354,811
Total Expenditures	572,017,245	576,652,202	557,849,364	18,802,838
Excess of Revenues Over Expenditures	10,070,610	7,896,271	26,860,559	18,964,288
OTHER FINANCING SOURCES (USES)				
Proceeds From Debt Service	-	-	738,164	738,164
Transfers In	300,000	9,759,456	10,011,849	252,393
Transfers Out	(27,499,551)	(34,784,668)	(34,490,697)	293,971
Total Other Financing Sources (Uses)	(27,199,551)	(25,025,212)	(23,740,684)	546,364
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	\$ (17,128,941)	\$ (17,128,941)	3,119,875	\$ 19,510,652
Encumbrances Included in Actual			152,309	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			3,272,184	
Expenditure of Prior Years' Encumbrances			(199,804)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			3,072,380	
Fund Balance -- Beginning of Year			80,361,438	
Fund Balance -- End of Year			\$ 83,433,818	

**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, 2013**

Special Aid Fund				
Budgeted Amounts				
	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Local Sources	\$ 2,556,603	\$ 5,100,199	\$ 2,856,512	\$ (2,243,687)
State Sources	27,421,875	31,908,909	29,163,193	(2,745,716)
Federal Sources	58,673,143	85,384,692	69,960,970	(15,423,722)
Total Revenues	88,651,621	122,393,800	101,980,675	(20,413,125)
EXPENDITURES				
Current:				
General Support:				
Central Services	23,560	32,450	13,285	19,165
Other	2,556,015	3,203,362	1,511,905	1,691,457
Instructional				
Teaching -- Regular School	32,111,412	42,174,401	35,865,604	6,308,797
Special Apportionment Programs	12,090,656	18,822,498	17,988,102	834,396
Other	24,560,736	36,385,886	28,342,980	8,042,906
Pupil Transportation	1,208,961	1,946,749	1,761,566	185,183
Community Services	124,286	106,257	105,093	1,164
Employee Benefits				
Retirement	4,967,469	5,843,671	5,842,294	1,377
Social Security	3,089,071	5,402,850	3,751,211	1,651,639
Health Insurance	6,513,670	6,917,803	6,537,854	379,949
Workers' Compensation	742,240	904,384	787,861	116,523
Other	663,545	401,095	265,642	135,453
Total Expenditures	88,651,621	122,141,406	102,773,397	19,368,009
Excess of Revenues Over Expenditures	-	252,394	(792,722)	(1,045,116)
OTHER FINANCING SOURCES				
Transfers In	-	-	1,045,116	1,045,116
Transfers Out	-	(252,394)	(252,394)	-
Total Other Financing Sources	-	(252,394)	792,722	1,045,116
Excess of Revenues and Other Sources Over Expenditures Budget Basis	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance -- Beginning of Year			<u>-</u>	
Fund Balance -- End of Year			<u>\$ -</u>	

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2013

School Food Service Fund				
<u>Budgeted Amounts</u>				
REVENUES	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
Local Sources:				
Other	\$ 300,000	\$ 153,332	\$ 94,423	\$ (58,909)
State Sources	574,972	533,633	533,633	-
Federal Sources	15,615,028	18,637,047	18,695,957	58,910
Total Revenues	<u>16,490,000</u>	<u>19,324,012</u>	<u>19,324,013</u>	<u>1</u>
EXPENDITURES				
Current:				
General Support:				
Other	14,295,950	16,023,459	15,654,078	369,381
Employee Benefits				
Retirement	849,239	1,098,144	1,098,049	95
Social Security	388,325	420,885	420,529	356
Health Insurance	1,743,744	1,654,169	1,653,369	800
Workers' Compensation	93,909	93,131	92,550	581
Other	49,685	34,224	33,907	317
Total Expenditures	<u>17,420,852</u>	<u>19,324,012</u>	<u>18,952,482</u>	<u>371,530</u>
 Deficiency of Revenues Over Expenditures	 <u>(930,852)</u>	 <u>-</u>	 <u>371,531</u>	 <u>371,531</u>
 Appropriation of Prior Year Fund Balance	 <u>930,852</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Deficiency of Revenues				
Over Expenditures Budget Basis	<u>\$ -</u>	<u>\$ -</u>	<u>371,531</u>	<u>\$ 371,531</u>
Fund Balance -- Beginning of Year			<u>434,466</u>	
Fund Balance -- End of Year			<u>\$ 805,997</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, 2013
(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	\$ 225,000	\$ 238,753	\$ 242,836	\$ 4,083
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,185,000	1,219,698	1,354,591	134,893
Miscellaneous	5,212,578	5,943,983	5,984,895	40,912
State Sources	454,865,277	456,284,143	456,016,915	(267,228)
Federal Sources	1,500,000	1,761,896	2,010,686	248,790
Total Revenues	<u>582,087,855</u>	<u>584,548,473</u>	<u>584,709,923</u>	<u>161,450</u>
Other Sources				
Proceeds from Debt Reserve	-	-	738,164	738,164
Transfers in	300,000	9,759,456	10,011,849	252,393
Total Other Sources	<u>300,000</u>	<u>9,759,456</u>	<u>10,750,013</u>	<u>990,557</u>
Total Revenues and Other Sources	<u>\$ 582,387,855</u>	<u>\$ 594,307,929</u>	<u>\$ 595,459,936</u>	<u>\$ 1,152,007</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, 2013

(continued next page)

Expenditures	<u>Original Budget</u>	<u>Final Budget</u>
General Support:		
Staff	\$ 5,889,275	\$ 4,487,724
Central Services	40,043,994	39,814,380
Board of Education	560,835	602,435
Central Administration	783,890	792,568
Finance	4,069,003	4,278,654
Other	4,212,941	5,652,264
Instructional		
Teaching - Regular School	158,955,577	155,928,986
Programs for Children with Handicapping Conditions	87,885,378	87,365,797
Occupational Education	6,130,759	6,005,633
Instruction, Administration and Improvement	35,845,894	38,195,279
Teaching - Special Schools	2,384,625	2,396,160
Instructional Media	5,104,307	5,911,014
Pupil Services	19,777,756	21,204,271
Pupil Transportation	55,562,910	60,843,282
Community Services	523,926	670,759
Employee Benefits:		
Retirement	37,793,413	37,425,677
Social Security	20,650,045	19,749,275
Health Insurance	69,646,120	65,004,111
Workers' Compensation	3,196,675	4,237,617
Other	5,339,344	7,185,510
Debt Service		
Principal	7,493,911	7,113,502
Interest	166,667	1,787,304
Total Expenditures	572,017,245	576,652,202
Other Uses		
Transfers Out	27,499,551	34,784,668
Total Expenditures and Other Uses	599,516,796	611,436,870
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ (17,128,941)	\$ (17,128,941)

<u>Current Year's</u> <u>Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered</u> <u>Balance</u>
\$ 4,258,310	\$ -	\$ 229,414
38,174,700	27,974	1,611,706
556,879	1,159	44,397
747,212	-	45,356
3,985,506	-	293,148
5,587,697	-	64,567
154,499,786	2,951	1,426,249
87,105,770	597	259,430
5,590,050	-	415,583
36,709,357	21,484	1,464,438
2,180,586	-	215,574
4,464,521	64,251	1,382,242
20,006,288	33,893	1,164,090
58,962,074	-	1,881,208
643,991	-	26,768
36,610,233	-	815,444
19,745,360	-	3,915
62,677,003	-	2,327,108
4,200,015	-	37,602
6,445,722	-	739,788
4,194,488	-	2,919,014
351,507	-	1,435,797
<u>557,697,055</u>	<u>152,309</u>	<u>18,802,838</u>
34,490,697	-	293,971
<u>592,187,752</u>	<u>\$ 152,309</u>	<u>\$ 19,096,809</u>
<u>\$ 3,272,184</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, 2013

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	\$ 4,772,086	\$ 4,772,086	\$ -
Total Revenues	300,000	4,772,086	4,772,086	-
EXPENDITURES				
Debt Service	65,595,217	65,595,217	65,595,217	-
Total Expenditures	65,595,217	65,595,217	65,595,217	-
Deficiency of Revenues Over Expenditures	(65,295,217)	(60,823,131)	(60,823,131)	-
OTHER FINANCING SOURCES (USES)				
Transfers In	65,595,217	65,595,217	65,595,217	-
Transfers (Out)	(300,000)	(4,772,086)	(4,772,086)	-
Total Other Financing Sources (Uses)	65,295,217	60,823,131		-
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, 2013**

<u>Ordinance Number</u>	<u>Project Title</u>	<u>Expenditures to Date</u>			
		<u>Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Unexpended Balance</u>
07-172	Ryan Center Capital Project	\$ 22,972,600	\$ 22,933,432	\$ 39,168	\$ -
10-009	Facility Capital Improvements	13,110,000	3,351,928	7,164,229	2,593,843
11-087	Facility Capital Improvements	12,507,000	6,352,572	2,312,977	3,841,451
12-456	Facility Capital Improvements	14,125,000	-	1,182,693	12,942,307
	Accrued Capital Improvements	-	-	1,453,278	(1,453,278)
	Cash - Capital Improvements	19,910,069	-	10,187,031	9,723,038
	Totals	\$ 82,624,669	\$ 32,637,932	\$ 22,339,376	\$ 27,647,361

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL



STATISTICAL SECTION

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

- ◆ Financial Trends (Page 86-92) – 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 93-96) – These schedules contain information to help the reader assess the government's most significant local revenue sources.
- ◆ Debt Capacity (Page 97-100) – 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 101-102) – 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 103-106) – These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities					
Net investment in capital assets	\$ 210,731,097	\$ 225,824,893	\$ 235,983,192	\$ 216,602,246	\$ 229,418,070
Unrestricted (Deficit)	<u>(6,926,905)</u>	<u>(1,919,237)</u>	<u>(18,403,117)</u>	<u>(10,146,254)</u>	<u>(54,652,221)</u>
Total governmental activities net position	<u>\$ 203,804,192</u>	<u>\$ 223,905,656</u>	<u>\$ 217,580,075</u>	<u>\$ 206,455,992</u>	<u>\$ 174,765,849</u>
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities					
Net investment in capital assets	\$ 231,461,078	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564	\$ 231,321,889
Unrestricted (Deficit)	<u>(70,682,248)</u>	<u>(78,288,628)</u>	<u>(133,132,558)</u>	<u>(142,832,981)</u>	<u>(170,834,732)</u>
Total governmental activities net position	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>

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

(continued next page)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenditures				
General Support:				
Board of Education	\$ 353,686	\$ 314,508	\$ 510,766	\$ 713,240
Chief School Administrator	1,399,391	1,412,019	1,759,223	1,744,079
Finance	4,487,893	4,043,141	4,702,380	5,281,980
Staff	6,314,915	5,818,293	6,142,232	6,889,084
Central Services	52,429,234	57,004,185	61,794,979	64,195,225
Other	7,117,052	5,041,851	7,044,988	7,663,524
Total General Support	<u>72,102,171</u>	<u>73,633,997</u>	<u>81,954,568</u>	<u>86,487,132</u>
Instruction:				
Administration and Improvement	48,765,261	47,502,458	60,021,443	63,520,800
Teaching	312,745,073	317,246,258	331,183,625	349,523,934
Instructional Media	7,290,599	9,195,842	9,332,398	8,340,253
Pupil Services	19,482,159	22,596,376	28,065,827	30,938,342
Other	147,151	132,667	142,409	-
Total Instruction	<u>388,430,243</u>	<u>396,673,601</u>	<u>428,745,702</u>	<u>452,323,329</u>
Pupil Transportation	40,141,286	43,025,106	46,551,303	53,138,656
Community Services	5,975,033	5,714,748	5,827,974	5,725,482
Interest on Long-Term Debt	6,863,535	516,667	6,208,775	8,264,944
Depreciation-Unallocated	6,468,318	6,954,610	8,145,544	7,982,633
Interest Short-Term	617,500	9,689,751	-	-
Total Expenditures	<u>520,598,086</u>	<u>536,208,480</u>	<u>577,433,866</u>	<u>613,922,176</u>
Program Revenues				
Charges for Services:				
Central Services	13,961,050	13,795,167	14,264,883	13,854,118
Teaching	846,679	2,086,176	1,753,777	1,851,229
Operating Grants and Contributions	121,460,205	117,350,776	127,617,343	145,456,653
Total Program Revenues	<u>136,267,934</u>	<u>133,232,119</u>	<u>143,636,003</u>	<u>161,162,000</u>
Net (Expense)/Revenue	<u>(384,330,152)</u>	<u>(402,976,361)</u>	<u>(433,797,863)</u>	<u>(452,760,176)</u>
General Revenues and Other Changes in Net Position				
Intergovernmental (Unrestricted)	126,100,000	119,100,000	119,566,784	119,100,000
Use of Money & Property	1,955,329	2,771,426	3,883,000	4,471,842
Interfund Reimbursements	2,118,112	2,050,308	2,322,847	2,594,188
State & Federal Aid	245,003,824	235,155,380	261,752,923	275,251,427
Lottery Aid	33,103,918	62,650,171	38,360,455	38,056,468
Miscellaneous	837,952	1,350,540	1,586,273	2,940,015
Total General Revenues and Other Changes in Net Assets	<u>409,119,135</u>	<u>423,077,825</u>	<u>427,472,282</u>	<u>442,413,940</u>
Change in Net Position	<u>\$ 24,788,983</u>	<u>\$ 20,101,464</u>	<u>\$ (6,325,581)</u>	<u>\$ (10,346,236)</u>

2008	2009	2010	2011	2012	2013
\$ 685,664	\$ 678,153	\$ 700,462	\$ 845,542	\$ 937,364	\$ 804,532
2,150,794	3,263,226	2,625,789	2,935,381	823,745	1,018,962
5,328,334	5,781,686	6,060,425	6,446,125	5,624,636	5,957,755
6,659,097	6,987,989	7,030,907	7,813,587	6,337,641	6,016,143
73,464,586	74,596,293	75,301,682	74,794,471	71,636,605	74,430,768
21,539,394	3,617,425	9,593,834	5,533,657	6,461,292	8,665,885
109,827,869	94,924,772	101,313,099	98,368,763	91,821,283	96,894,045
63,961,427	76,490,377	76,364,476	76,115,320	66,516,877	73,712,391
385,363,331	420,456,795	422,444,062	444,285,066	422,176,283	434,230,713
8,514,516	10,053,812	11,110,860	12,127,840	9,361,416	9,222,737
30,168,305	32,319,277	32,250,202	32,369,551	36,379,149	36,650,565
-	-	-	-	-	-
488,007,579	539,320,261	542,169,600	564,897,777	534,433,725	553,816,406
54,899,360	60,121,041	55,139,810	60,056,572	59,602,833	65,325,728
7,821,082	7,273,466	6,965,346	7,143,070	3,642,674	2,604,672
7,918,829	7,855,374	7,729,302	8,283,576	7,502,523	12,532,896
-	-	-	-	-	-
-	-	-	-	-	-
668,474,719	709,494,914	713,317,157	738,749,758	697,003,038	731,173,747
14,620,109	15,987,282	1,032,158	784,618	954,589	771,124
1,376,696	1,384,364	1,636,777	1,279,395	1,539,574	1,408,777
90,671,547	95,492,259	101,612,225	107,490,316	103,192,159	101,980,675
106,668,352	112,863,905	104,281,160	109,554,329	105,686,322	104,160,576
(561,806,367)	(596,631,009)	(609,035,997)	(629,195,429)	(591,316,716)	(627,013,171)
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
4,286,033	2,449,722	4,768,568	560,906	635,161	283,477
2,322,353	-	-	-	-	-
350,011,056	385,981,017	408,172,635	381,842,297	396,973,771	413,568,396
48,015,993	55,584,823	56,900,547	63,411,761	59,355,281	63,012,095
4,475,430	19,528,428	8,125,304	7,206,095	6,764,569	8,288,777
528,210,865	582,643,990	597,067,054	572,121,059	582,828,782	604,252,745
\$ (33,595,502)	\$ (13,987,019)	\$ (11,968,943)	\$ (57,074,370)	\$ (8,487,934)	\$ (22,760,426)

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

(continued next page)

	2004	2005	2006	2007
General Fund				
Nonspendable	\$ 2,476,254	\$ 827,760	\$ 1,212,305	\$ 5,642,167
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	51,958,899	71,304,813	67,472,133	75,261,382
Unassigned	1,910,683	7,140,477	8,468,136	1,889,359
Total General Fund	<u>\$ 56,345,836</u>	<u>\$ 79,273,050</u>	<u>\$ 77,152,574</u>	<u>\$ 82,792,908</u>
All Other Governmental Funds				
Nonspendable	\$ 190,063	\$ 495,948	\$ 437,812	\$ 635,325
Assigned	4,343,585	1,562,511	1,957,864	1,825,301
Unassigned, Reported In:				
Capital Projects Fund	(3,294,811)	(18,437,189)	8,062,212	(12,496,754)
Miscellaneous Special Revenue	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,238,837</u>	<u>\$ (16,378,730)</u>	<u>\$ 10,457,888</u>	<u>\$ (10,036,128)</u>
Total All Governmental Funds	<u>\$ 57,584,673</u>	<u>\$ 62,894,320</u>	<u>\$ 87,610,462</u>	<u>\$ 72,756,780</u>

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

2008	2009	2010	2011	2012	2013
\$ 1,814,956	\$ 2,293,454	\$ 39,546	\$ 4,405,058	\$ 6,589,163	\$ 5,408,822
-	-	-	-	-	4,735,764
-	-	-	-	32,588,485	32,588,485
41,096,379	42,234,704	58,297,595	40,728,264	21,995,142	21,357,946
4,932,662	15,694,610	19,064,883	26,557,687	19,188,648	19,342,801
<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>	<u>\$ 83,433,818</u>
\$ 573,374	\$ 448,225	\$ 458,729	\$ 99,138	\$ 311,363	\$ 328,690
1,140,361	1,559,873	1,436,907	871,767	118,409,508	180,847,158
(17,580,328)	(40,133,564)	9,502,422	(258,865)	(9,227,636)	-
-	-	-	(2,683,335)	-	-
<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>\$ 181,175,848</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>	<u>\$ 264,609,666</u>

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

(continued next page)

	2004	2005	2006	2007
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 2,006,029	\$ 2,854,808	\$ 3,940,018	\$ 4,498,603
Intergovernmental	126,100,000	119,100,000	119,100,000	119,100,000
Other	7,705,374	6,869,870	10,505,226	11,185,487
State Sources	328,737,856	370,755,400	359,753,979	395,842,611
Federal Sources	78,854,062	74,778,884	75,785,223	71,062,237
Surplus Food	401,709	497,586	590,293	883,363
Sales	1,582,039	1,453,397	1,433,546	1,003,639
Total Revenues	<u>545,387,069</u>	<u>576,309,945</u>	<u>571,108,285</u>	<u>603,575,940</u>
Expenditures				
General Support:				
Staff	6,120,408	5,944,450	5,869,560	6,520,235
Central Services	40,123,124	43,205,701	44,112,304	45,109,819
Other	20,225,514	21,043,155	21,502,409	22,901,927
Instructional:				
Teaching - Regular School	183,825,345	182,841,073	178,786,025	190,111,522
Special Apportionment Programs	121,017,656	118,661,828	119,075,942	124,579,887
Other	86,920,643	91,603,365	106,223,360	112,126,140
Pupil Transportation	38,817,359	43,281,664	44,963,493	50,376,123
Community Services	5,937,379	5,714,431	5,738,203	5,628,977
Cost of Sales	5,721,367	6,113,966	6,064,727	6,050,396
Debt Service:				
Principal	16,372,654	21,604,395	16,288,306	19,739,667
Interest	7,056,465	7,613,274	7,463,175	8,264,944
Bond Issuance Costs	-	-	-	-
Capital Outlay	33,378,839	32,713,402	38,368,247	27,662,076
Total Expenditures	<u>565,516,753</u>	<u>580,340,704</u>	<u>594,455,751</u>	<u>619,071,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,129,684)	(4,030,759)	(23,347,466)	(15,495,773)
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Refunding Bonds	-	-	-	-
Premium - Refunding Bonds	-	-	-	-
Premium - Bond Issuance	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Long-term Debt	84,429,211	9,030,854	48,128,460	469,183
Transfers In	33,815,039	32,774,723	35,788,860	27,695,699
Transfers Out	(33,815,039)	(32,774,724)	(35,788,860)	(27,695,699)
Total Other Financing Sources (Uses)	<u>84,429,211</u>	<u>9,030,853</u>	<u>48,128,460</u>	<u>469,183</u>
Net Change in Fund Balances	<u>\$ 64,299,527</u>	<u>\$ 5,000,094</u>	<u>\$ 24,780,994</u>	<u>\$(15,026,590)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.40%	5.31%	4.26%	4.72%

2008	2009	2010	2011	2012	2013
\$ 4,380,909	\$ 2,449,722	\$ 4,768,568	\$ 560,907	\$ 635,161	\$ 283,477
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
10,797,977	16,191,725	15,986,384	10,777,116	12,165,277	10,880,816
430,359,330	485,631,182	455,650,093	445,210,158	465,764,197	485,713,741
68,476,550	72,673,518	107,728,741	104,692,597	89,528,198	91,398,802
791,243	925,780	929,925	932,137	1,018,851	942,062
973,208	911,798	576,984	402,473	303,420	94,423
634,879,217	697,883,725	704,740,695	681,675,388	688,515,104	708,413,321
6,456,990	6,672,969	6,762,646	7,179,406	6,260,911	5,906,382
47,704,150	47,594,354	49,382,721	47,243,300	46,538,877	48,276,855
37,345,461	21,578,298	27,687,396	24,116,618	23,116,314	26,068,647
203,630,068	222,394,714	225,292,202	236,502,568	235,738,366	244,680,729
133,894,191	137,509,226	142,065,048	136,643,687	135,977,745	139,182,252
118,085,930	133,518,980	134,904,890	131,741,908	129,632,899	136,515,099
52,612,309	56,587,073	52,287,872	54,614,418	58,064,582	63,362,758
6,042,832	7,124,911	6,773,889	6,844,001	3,479,242	2,446,372
6,321,146	6,960,822	7,211,720	7,454,503	7,930,286	8,861,406
18,156,921	14,779,453	13,578,018	18,385,022	18,127,741	33,554,888
7,898,563	8,009,606	6,790,890	8,984,972	7,190,572	13,921,980
-	-	-	-	-	2,091,497
26,182,381	49,163,770	26,791,121	22,679,746	31,277,855	102,472,252
664,330,942	711,894,176	699,528,413	702,390,149	703,335,390	827,341,117
(29,451,725)	(14,010,451)	5,212,282	(20,714,761)	(14,820,286)	(118,927,796)
-	-	-	-	-	738,164
-	-	-	-	-	37,785,000
-	-	-	-	-	3,309,791
-	-	-	-	-	20,780,819
-	-	-	-	-	(22,730,000)
11,384,878	2,043,200	61,490,498	1,634,393	134,955,245	153,799,015
28,798,062	30,711,359	58,286,742	33,153,924	37,096,372	46,564,991
(28,798,062)	(30,711,359)	(58,286,742)	(33,153,924)	(37,096,372)	(46,564,991)
11,384,878	2,043,200	61,490,498	1,634,393	134,955,245	193,682,789
\$(18,066,847)	\$(11,967,251)	\$ 66,702,780	\$(19,080,368)	\$ 120,134,959	\$ 74,754,993
4.04%	3.40%	3.00%	3.99%	3.71%	6.50%

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		
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	5,791,799	99.67
2011	5,777,374	\$19.50	\$42.23	5,779,108	99.97
2012	5,779,908	\$20.04	\$42.79	6,004,476	96.26
2013	5,910,992	\$19.32	\$42.98	5,967,082	99.06

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					
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
2013	Homestead	13.71	5.61	10.70	30.02
	Non-Homestead	30.63	12.36	10.70	53.68

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

²Information provided by the City Assessor.

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

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

	2013			2004		
	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	10.23%	\$ 351,912	1	7.43%
Frontier Telephone Corporation	75,953	2	1.28	60,879	3	1.29
Eastman Kodak Company	70,915	3	1.20	124,591	2	2.63
Buckingham Properties / Samloff-Glazer	35,733	4	0.60	27,124	4	0.57
CSX (Conrail)	23,228	5	0.39	15,282	8	0.32
Maguire Family Properties	19,818	6	0.34	13,806	9	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	0.25	-	-	
Pioneer/City Center	-	-		23,000	5	0.49
JP Morgan Chase	-	-		21,665	6	0.46
Xerox Corporation	-	-		19,250	7	0.41
Midtown Rochester LLC	-	-		13,442	10	0.28

¹ The total taxable assessed value of \$5,910,992 was used for fiscal year 2012-13 taxes

² The total taxable assessed value of \$4,735,334 was used for fiscal year 2003-04 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	
2004	\$ 173,145	\$ 158,479	91.53	\$ 10,577	\$ 169,056	97.64	
2005	178,380	163,293	91.54	9,531	172,824	96.89	
2006	184,086	168,297	91.42	10,391	178,688	97.07	
2007	189,822	174,245	91.79	10,214	184,459	97.17	
2008	190,298	174,902	91.91	8,769	183,671	96.52	
2009	196,088	181,218	92.42	7,892	189,110	96.44	
2010	197,219	182,281	92.43	9,053	191,334	97.02	
2011	201,211	185,325	92.10	9,307	194,632	96.73	
2012	205,558	189,505	92.19	9,414	198,919	96.77	
2013	206,013	190,291	92.37	N/A	190,291	92.37	

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	Special School Purpose Revenue Bond	Special Program Revenue Bond	Installment Purchase Contracts	Total	Percentage of Personal Income ¹	Per Capita ²
2004	\$ 133,017,121	\$ 11,135,015	\$ 8,476,594	\$ 14,697,914	\$ 167,326,644	0.65	227
2005	114,227,235	10,607,454	7,219,586	22,279,869	154,334,144	0.58	211
2006	147,522,348	8,982,526	5,907,490	22,385,298	184,797,662	0.67	253
2007	131,171,122	7,845,356	4,512,762	20,764,007	164,293,247	0.56	225
2008	127,318,629	6,648,580	3,035,402	18,860,874	155,863,485	0.51	213
2009	116,050,555	5,423,477	1,485,426	18,154,697	141,114,155	0.47	192
2010	166,374,111	4,142,064	-	16,657,111	187,173,286	0.60	251
2011	152,489,769	2,821,052	-	15,035,509	170,346,330	0.60	228
2012	262,655,400 ³	1,435,796	-	12,465,626	276,556,822	0.85	371
2013	398,968,000 ³	-	-	11,971,682	410,939,682	1.26	551

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, 2011 data used for 2012 and 2013.

² Population figures from US Dept of Commerce Bureau of Economic Analysis, www.bea.gov, current year and prior year data not available, 2011 data used for 2012 and 2013.

³ Includes General Obligation Bonds associated with the Facilities Modernization Program

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2013**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Rochester City School District	\$ 398,968,000	100.00%	\$ 398,968,000
City of Rochester	214,347,000	100.00%	214,347,000
County of Monroe	416,574,061	14.90%	62,069,535
	<u>\$ 1,029,889,061</u>		<u>\$ 675,384,535</u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. Source of data is City of Rochester Finance Department. The overlap percentage (14.90%) was set by the Monroe County Department of Finance and is based on the ratio of the City of Rochester's full valuation of real property to the total Monroe County full valuation of real property.

**ROCHESTER CITY SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Legal Debt Margin as a Percentage of the Debt Limit
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	4,254,631	2.07
2011	206,453,503	177,809,769	28,643,734	13.87
2012	206,455,928	173,717,400	32,738,528	15.86
2013	206,975,273	171,813,000	35,162,273	16.99

Legal Debt Margin Calculation for Fiscal Year 2013

Indebtedness	
Borrowings -- Bonds	\$ 171,813,000
Borrowings -- BANs	-
	<u>171,813,000</u>
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) ¹	<u>206,975,273</u>
Debt Contracting Margin ²	<u><u>\$ 35,162,273</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
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	-	-	-	0.92	1,321,012	1,321,012	130,020	0.91
2012	-	-	-	-	1,385,256	1,385,256	71,466	0.95
2013	-	-	-	-	1,435,796	1,435,796	39,531	0.97

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 County¹	Personal Income - Monroe County¹ (in thousands)	Per Capita Personal Income - Monroe County¹	Unemployment Rate - Monroe County²
2004	741,075	\$ 25,561,752	\$ 35,792	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	745,625	32,728,163	43,894	7.8
2012	N/A	N/A	N/A	8.2
2013	N/A	N/A	N/A	7.1

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 August 2013)

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

Employer	2013			2004		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	21,881	1	4.49%	13,400	2	2.63%
Wegman's Food Markets Inc.	13,843	2	2.84%	5,579	4	1.09%
Rochester General Health System	8,100	3	1.66%	4,434	5	0.87%
Xerox Corp.	5,617	4	1.15%	8,600	3	1.69%
Unity Health System	5,358	5	1.10%	3,012	6	0.59%
Paychex Inc.	3,819	6	0.78%	-	-	-
Lifetime Healthcare Cos. Inc.	3,749	7	0.77%	3,000	7	0.59%
Eastman Kodak Company	3,429	8	0.70%	20,600	1	4.04%
Sutherland Global Services, Inc	3,364	9	0.69%	-	-	-
Rochester Institute of Technology	3,259	10	0.67%	2,668	8	0.52%
Delphi Energy and Engine Mgmt Sys	-	-	-	2,500	9	0.49%
Frontier Corp.	-	-	-	2,100	10	0.41%
	<u>72,419</u>		<u>14.85%</u>	<u>65,893</u>		<u>12.92%</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

	2004	2005	2006	2007	2008
General Support:					
Board of Education	8	8	10	10	11
Chief School Administrator	8	9	8	9	8
Finance	49	53	55	58	54
Staff	36	41	43	51	48
Central Services	616	611	616	624	607
Other	-	-	4	1	-
Total General Support	<u>717</u>	<u>722</u>	<u>736</u>	<u>753</u>	<u>728</u>
Instruction:					
Administration and Improvement	557	570	617	644	644
Teaching	3,949	3,835	3,894	4,113	4,170
Instructional Media	57	68	68	70	72
Pupil Services	221	229	249	269	259
Pupil Transportation	105	132	136	137	137
Community Services	115	101	107	98	48
Unclassified	15	17	18	15	15
Total Instruction	<u>5,019</u>	<u>4,952</u>	<u>5,089</u>	<u>5,346</u>	<u>5,345</u>
Total	<u>5,736</u>	<u>5,674</u>	<u>5,825</u>	<u>6,099</u>	<u>6,073</u>

	2009	2010	2011	2012	2013
General Support:					
Board of Education	11	11	8	8	10
Chief School Administrator	10	14	13	6	5
Finance	56	59	52	49	52
Staff	48	45	36	39	41
Central Services	647	636	568	555	589
Other	-	-	-	-	-
Total General Support	<u>772</u>	<u>765</u>	<u>677</u>	<u>657</u>	<u>697</u>
Instruction:					
Administration and Improvement	678	669	626	586	577
Teaching	4,235	4,033	3,737	3,483	3,527
Instructional Media	72	66	63	61	64
Pupil Services	276	271	238	313	334
Pupil Transportation	132	125	114	106	121
Community Services	116	109	110	38	35
Unclassified	15	15	14	12	10
Total Instruction	<u>5,524</u>	<u>5,288</u>	<u>4,902</u>	<u>4,599</u>	<u>4,668</u>
Total	<u>6,296</u>	<u>6,053</u>	<u>5,579</u>	<u>5,256</u>	<u>5,365</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
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	3,737	8.4	88.4
2012	30,693	697,003,038	22,709	-3.9	3,483	8.8	82.1
2013	29,523	731,173,747	24,766	9.1	3,527	8.4	100.0 ³

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

²Expenses are presented on a Government-wide basis

³The Federal Community Based Option program was implemented in 2012-13, all students are now eligible for free meals

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

(continued next page)

	2004	2005	2006	2007	2008
<u>Schools</u>					
<u>Elementary</u>					
Buildings	39	40	38	38	38
Square Feet (a)	3,053,443	2,965,521	2,978,216	2,978,216	2,977,479
Capacity	20,840	19,800	20,422	20,422	20,422
Enrollment	18,595	17,489	17,655	16,970	17,093
<u>Secondary</u>					
Buildings	15	15	16	16	16
Square Feet (a)	3,721,397	3,575,421	3,704,416	3,704,416	3,704,416
Capacity	17,408	15,727	16,345	16,345	16,345
Enrollment	15,237	15,566	15,387	15,616	15,675
<u>Other</u>					
Buildings	1	1	1	1	1
Square Feet (a)	167,722	141,969	141,969	141,969	141,969
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	4	4	4	4	4
Square Feet (a)	229,273	229,273	229,273	229,273	256,781
<u>Transportation</u>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	256,077	256,077
Buses	93	93	93	90	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) The District has modified some buildings to a prek-8 model, other elementary school buildings are prek-6. Secondary schools are managed as either a 7-12 or a 9-12 model. The District has a k-12 school program. Data reflects capacities and enrollment as the best estimation of the building being either an elementary or a secondary building.
- (c) Facilities are 30 Hart Street and 2 Austin Street and are used for multiple purposes including swing space, administration, adult education, and prek-12 academic programs.
- (d) Facilities are Central Office, Service Center (considered one building) and 283 W. Ridge Road. The facility at 175 Martin Street has been converted to serve primarily as secondary swing space. Therefore the building has been included in the secondary school category.
- (e) Garage/Maintenance included as part of Service Center

2009	2010	2011	2012	2013	(b)
38	38	38	38	38	
2,977,479	3,068,471	2,953,692	2,953,692	3,209,513	
20,922	21,324	21,324	21,324	20,733	
17,271	17,228	17,152	16,949	16,679	
16	16	14	14	14	
3,704,416	3,704,416	2,475,222	3,475,222	3,433,212	
15,775	15,775	15,775	15,775	14,888	
14,861	14,426	14,104	13,744	12,844	
3	3	2	2	2	(c)
296,969	176,319	204,232	200,560	200,560	
-	-	-	-	-	
-	-	-	-	-	
3	2	4	4	3	(d)
170,354	241,755	401,750	401,750	261,598	
256,077	256,077	-	-	-	(e)
88	88	88	86	86	
7	7	7	7	7	
9	9	9	9	9	
8	8	8	8	8	
22	22	22	22	22	
13	13	13	13	13	
35	36	36	36	36	

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT REPORT





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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
November 13, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in the *OMB 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, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
November 13, 2013

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

(continued on next page)

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal CFDA</u> <u>Number</u>	<u>Pass-Through Entity</u> <u>Grantor Identifying Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041B	S041B20133427	\$11,430
Impact Aid	84.040	S041B20123427	4,462
Title VII-Native American Resource	84.060A	060A132183	39,482
Title VII-Native American Resource	84.060A	060A122183	415
RAISE	84.351D	U351D100170	213,350
RAISE	84.351D	U351D100170	3,369
Safe Schools/Healthy Students	84.184L	Q184L080045	767,083
Safe Schools/Healthy Students	84.184L	Q184L080045	741
ESSC Elementary	84.215E	Q215E100131	309,714
ESSC Elementary	84.215E	Q215E100131	1,174
Elementary Historians	84.215X	U215X090434	39,150
Elementary Historians	84.215X	U215X090434	10,913
Teaching As Historians	84.215X	U215X080325	307,557
Teaching as Historians Pt. 2	84.215X	U215X080325	280
Growing up in America: A Historical Journey	84.215X	U215X100462	189,057
Growing up in America: A Historical Journey	84.215X	U215X100462	31,894
Advanced Placement Incentive Program	84.330C	S330C080224-10	236,464
FLAP Grant #2	84.293B	B100171BP2	197,541
<i>Subtotal U.S. Department of Education Direct Programs</i>			\$2,364,076
Pass-Through the New York State Education Dept:			
Title I A&D Improv Acad Achmt F/Disa	84.010A	0021131395	\$24,632,018
Title I A&D Improv Acad Achmt F/Disa	84.010A	0021121395	2,799,359
Title I - School Improvement	84.010A	0011132004	329,654
Title I - School Improvement	84.010	0011122004	224,008
Title I - School Improvement	84.010A	0011136002	22,573
Title I - School Improvement	84.010A	0011136001	515,881
Title I - School Improvement	84.010A	0011135002	924,621
Title I - School Improvement	84.010	0011125002	-1
IDEA - Part B, Disc.	84.027A	0031135502	3,022
IDEA - Part B, Disc.	84.027A	0031125502	52,891
IDEA - Part B, Section 611	84.027A	0032130370	9,709,536
IDEA - Part B, Section 611	84.027A	0032120370	8,373
IDEA - Part B, Section 619	84.173A	0033130370	504,620
IDEA - Part B, Section 619	84.173A	0033120370	-162,577
Perkins IV/CTEIA - Criminal Offender	84.048	8030130001	31,898
Perkins IV/CTEIA - Criminal Offender	84.048	8030120001	64
Perkins Secondary	84.048	8000130024	393,871
Perkins Secondary	84.048A	8000120024	1,101
WIA - Title 2, Incarceratd & Instit	84.002A	0138130015	220,809
WIA - Title 2, Incarcerated & Instit	84.002	0138120015	49
WIA - Title 2, Adult Education & Lit	84.002A	2338138006	98,214
WIA - Title 2, Adult Education & Lit	84.002A	2338131074	124,704
WIA - Title 2, Adult Education & Lit	84.002A	2338139013	301,493
WIA - Title 2, Adult Education & Lit	84.002A	2338129013	1,045
ARRA - Title I Sch Imp 1003 (G)	84.388A	5123131104	7,153,204
ARRA - Title I Sch Imp 1003 (G)	84.388A	5123132004	3,077,699
ARRA - Title I Sch Imp 1003(G)	84.388A	5123131004	158,182

ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013
(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>
ARRA - TITLE I SCH IMP 1003 (G)	84.388A	5123121004	42,847
ARRA - TITLE I SCH IMP 1003 (G)	84.388A	5123132004	30,065
ARRA - TITLE I SCH IMP 1003 (G)	84.388A	5123122004	18,606
ARRA - RACE TO THE TOP	84.395A	5500131395	3,404,284
ARRA - RACE TO THE TOP	84.395A	5500121395	2,568
ARRA - RTTT Strength Teach/Lead Effect	84.395A	5545130038	861,112
ARRA - RTTT Replication Grants	84.395A	5560130012	1,682
ARRA - RTTT Systemic Supports	84.395A	5540130008	980,828
ARRA - RTTT Virtual Advanced Placement	84.395A	5580130003	228,802
ARRA - Teacher Incentive Fund	84.374	C011136	2,958,126
ARRA - Teacher Incentive Fund	84.385	5600120002	41,365
ARRA - Educational Jobs Fund	84.410	5400121395	1,149
Title II-B Math/Science Partnerships MSP	84.366	0294130211	359,410
Title II-B Math/Science Partnerships MSP	84.366B	0294120211	287
Title II-B Math/Science Partners MSP	84.366B	0294130203	693,171
Title II-B Math/Science Partnerships MSP	84.366B	0294120203	505
Title IIIA, LEP	84.365A	0293131395	382,886
Title III, LEP	84.365A	0293121395	105,941
Title II-A Teach/Prin/Trng/Recruitment	84.367A	0147131395	4,600,585
Title II-A Teach/Prin Trng/Recruitment	84.367A	0147121395	367,207
Title II-D Enhancing Ed Thr Tec-Hi Need	84.318X	0291122034	169,889
Homeless Children	84.196A	0212324007	138,328
Homeless Children	84.196A	0212124007	590
<i>Subtotal Pass-Through the NYS Education Dept</i>			<u>\$66,516,544</u>
Pass-Through the NYS Office of Special Education Dept:			
SETRC	84.027A	0C00755913	\$356,081
SETRC	84.027A	0C00755912	497
<i>Subtotal Pass-Through the NYS Office of Special Education Dept</i>			<u>\$356,578</u>
<i>Total U.S. Department of Education</i>			<u>\$69,237,198</u>

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Grantor Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>
U.S. Department of Health and Human Services			
Pass-Through the NYS Office of Temporary & Disability Assistance:			
NYSOTDA Educational Resources	93.558	C020720912	\$74,125
Center for Disease Control & Prevention (CDC) Pass- Through the University of Rochester:			
U of R CDC	93.531	DP00359902	\$35,248
U of R CDC	93.531	DP00359901	92,081
Total U.S. Department of Health and Human Services			\$201,454
U.S. Department of Agriculture - Food & Nutrition Service			
Direct Programs:			
Farm to School Grant Program	10.575	CF-F2S-PLAN-13-NY	\$4,488
Pass-Through NYS Bureau of School Food Management			
School Fund Service Fund - Breakfast	10.553	- -	\$5,399,581
School Fund Service Fund - Lunch/Surplus Food Commodities	10.555	- -	12,619,675
Pass-Through City of Rochester			
Summer Food Service Program	10.559	- -	\$617,791
Pass-Through the NYS Department of Education			
Child Nutrition Fresh Fruit, Veg Prog	10.582	0004130022	\$262,920
NYSOTDA Food Stamp Employment	10.561	C020854012	212,537
NYSOTDA Food Stamp Employment	10.561	C021213	42,374
Total U.S. Department of Agriculture			\$19,159,366
Total Expenditures of Federal Awards			\$88,598,018

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note I.D. in 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, \$942,062 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, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|-------------------------------------------|-----------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None Reported |

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- | | | |
|-------------------------------------------|-----------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None Reported |

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

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 Yes X No

Identification of major programs:

<u>Name of Federal Programs or Clusters</u>
Title I
ARRA - Title I A – School Improvement Grants
ARRA - Teacher Incentive Fund
ARRA - Race to the Top

CFDA Number(s)

84.010
84.388
84.374
84.395

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

\$2,657,941

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, 2013 (Continued)

II. FINANCIAL STATEMENT FINDINGS

There were 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 YEAR ENDED JUNE 30, 2013

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
Rochester City School District
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Student Activity Funds of the Rochester City School District (the District), a component unit of the City of Rochester, New York which comprise the Statement of Assets and Liabilities Arising from Cash Transactions as of June 30, 2013 and 2012 and the related Statement of Cash Receipts and Disbursements for the years ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Student Activity Funds relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Student Activity Funds relevant to the District's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our qualified opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurers. Accordingly, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Student Activity Funds of the District as of and for the years ended June 30, 2013 and 2012, arising from cash collected and disbursements made during the years then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Rochester, New York
November 13, 2013

ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
JUNE 30, 2013 AND 2012

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>
ASSETS		
Cash --		
Elementary Schools	\$ 47,621	\$ 47,675
Secondary Schools	<u>132,140</u>	<u>140,907</u>
Total Assets	<u>\$ 179,761</u>	<u>\$ 188,582</u>
LIABILITIES		
Student Deposits --		
Elementary Schools	\$ 47,621	\$ 47,675
Secondary Schools	<u>132,140</u>	<u>140,907</u>
Total Liabilities	<u>\$ 179,761</u>	<u>\$ 188,582</u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2012**

	June 30, 2013	June 30, 2012
RECEIPTS		
Elementary Schools	\$ 150,492	\$ 147,089
Secondary Schools	412,172	511,941
Total Receipts	<u>562,664</u>	<u>659,030</u>
DISBURSEMENTS		
Elementary Schools	150,676	159,586
Secondary Schools	420,809	533,221
Total Disbursements	<u>571,485</u>	<u>692,807</u>
Deficiency of Receipts over Disbursements	(8,821)	(33,777)
Cash - Beginning of Year	<u>188,582</u>	<u>222,359</u>
Cash - End of Year	<u><u>\$ 179,761</u></u>	<u><u>\$ 188,582</u></u>

See accompanying notes to student activity funds financial statements.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2013

1. Description of Operations

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by, or in the name of a school, student body or any subdivision thereof.”

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has the responsibility and authority to implement all policies and rules pertaining to the supervision and administration of student activity funds in accordance with established policies and rules of the District’s Board of Education.

2. Summary of Significant Accounting Policies

Basis of Accounting

The transactions of the Student Activity Funds are not considered part of the reporting entity of the Rochester City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency fund in the District’s Statement of Fiduciary Net Position at June 30, 2013.

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.