

CAFER



2017



Comprehensive Annual Financial Report Rochester City School District

131 West Broad Street • Rochester, New York 14614

*A Component Unit of the City of Rochester, New York
Fiscal Year Ended June 30, 2017*

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, 2017**

Prepared by:

Department of Accounting

**Rochester City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

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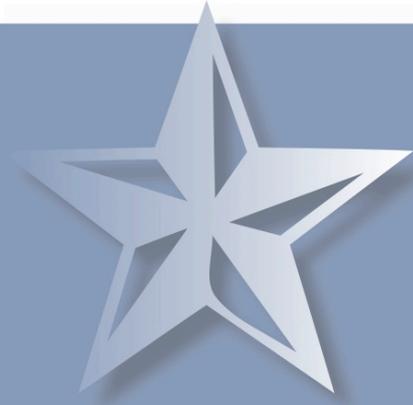
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INTRODUCTION





Rochester City School District

Superintendent of Schools

Barbara Deane-Williams

December 14, 2017

Mr. Van Henri White, President
Board of Education
Rochester City School District
Rochester, New York 14614

Dear President White, Board Members, and Citizens of the City of Rochester, New York:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Rochester City School District (District) for the year ended June 30, 2017. The CAFR was prepared by the District's Department of Accounting and is management's representation of the District's finances. Management assumes full responsibility for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets. The District's comprehensive framework has been designed so that the cost of internal controls does not outweigh the benefits of such controls. Therefore, they provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The controls provide the District the ability to prepare the financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. We assert that, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

The District's financial statements have been audited by Freed Maxick, CPAs, PC an independent, certified public accounting firm. The purpose of an independent audit is to express an opinion as to whether the financial statements are fairly stated in all material respects. The independent auditor's report is presented in the financial section of this report and renders an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2017.

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

PROFILE OF THE REPORTING ENTITY

The mission of the District and the Board of Education is to educate each student to the highest level of academic achievement and to foster each student's social and emotional development. The District partners with families, caregivers, and the Rochester community to prepare students to meet or exceed standards, to become lifelong learners, productive members of the workforce, and responsible, contributing citizens. We provide a full range of educational services to grade levels pre-kindergarten

through 12. Services include regular and enriched academic education, special education for students with disabilities, CTE, many individualized programs, school-to-work programs, and partnerships with higher education. Programs are supplemented by a wide variety of offerings in the arts, music, and athletics. In addition, services are provided for adults, such as basic education, high school equivalency, continuing education, course offerings for non-English speaking adults, and employment preparation. For the 2016-17 school year, the District reported the following enrollments: 3,224 pre-kindergarten (Pre-K), 15,501 elementary (K-6) and 11,475 secondary (7-12), for a total of 30,200 students.

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

The statute requires that the District pay a prescribed amount to the charter school for each resident pupil enrolled that is equivalent 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 and are receiving special education services from the charter school based on the enrollment of students at the charter. Charter School tuition payments totaling approximately \$69.2 million for 5,196 students were made from the District's General operating fund during fiscal 2016-17. Charter schools receiving payments were: Discovery Charter School, Eugenio Maria de Hostos Charter School, Genesee Community Charter School, PUC Achieve Charter School, Renaissance Academy Charter School, Rochester Academy Charter School, Rochester Career Mentoring Charter School, True North Rochester Preparatory Charter School, True North Rochester Preparatory Charter School West Campus, True North Rochester Preparatory Three, Urban Choice Charter School, University Preparatory Charter School, Vertus Charter School and Young Women's College Preparatory of Rochester.

On February 11, 2015, the New York State Education Department (NYSED) delivered its final approval to the plan and budget for the University of Rochester to serve as the Educational Partnership Organization (EPO) for East High School beginning on July 1, 2015 and continuing through June 30, 2020. The University entered into this partnership at the request of the Board of Education in an effort to meet State requirements for the restructuring of persistently struggling, low-performing schools. In addition, the Board of Education is working collaboratively with the State University of New York, SUNY Genesee and the NYSED to complete the final approval of SUNY Genesee as the EPO for Dr. Charles Lunsford School. As of June 30, 2017, the District continues to support two schools, James Monroe High School and Dr. Martin Luther King, Jr. Elementary School, identified by the NYSED as "Persistently Struggling". as well as six other schools identified as "Struggling": Nathaniel Rochester Community School, Roberto Clemente School, Enrico Fermi School, Kodak Park School, Mary McLeod Bethune School and Northeast High School. Turnaround efforts for these schools guided by the Superintendent, as Receiver, resulted in a targeted system of intensive supports and additional resources from the State. The NYSED will review the status of each school's Demonstrable Improvement Indicators as soon as the NYS exam results are available in order to make a determination as to whether the schools will be District managed or an independent Receiver is required.

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 members are elected separately from the City. The District is dependent upon the City to contract bonded indebtedness and to levy taxes on its behalf. The City's Charter states how the allocation of revenue and debt-incurring power between the City and the District will be conducted. The terms of this section of the Charter are as follows:

1. The City shall provide to the District the sum of one hundred nineteen million one hundred thousand dollars (\$119,100,000) for operational purposes.
2. The limitation of nine percent (9%) for indebtedness, as set forth in § 4 of Article VIII of the Constitution of the State of New York, shall be allocated on the basis of five and one-half percent (5-1/2%) for municipal indebtedness as determined by the City Council and three and one-half percent (3-1/2%) for indebtedness for educational purposes as determined by the Board of Education.
3. The Board of Education shall, upon the date set by law and Charter, submit to the Mayor of the City an itemized budget for the ensuing fiscal year whose expenditures shall not exceed revenues provided by the above distribution, plus revenues estimated to be allocated to the District by the state or federal government.
4. The annual budget of the District submitted by the Board of Education shall contain an amount for cash capital of at least ten million dollars (\$10,000,000).

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

The District's 2016-17 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, 2016 and ending on June 30, 2017.

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

ECONOMIC CONDITIONS AND OUTLOOK OF THE REPORTING ENTITY

Local Economic Status and Forecast^{1,2}

Located on the southern shore of Lake Ontario in the western region of Upstate New York, the Greater Rochester Area is the State's third largest metropolitan area, home to a population exceeding 1.2 million. Situated on the I-90 (New York State Thruway) corridor the community is centrally located in the Northeastern United States, within 500 miles of one-third of the U.S. and Canadian populations. Rochester enjoys close proximity to the global business centers of Toronto and New York City while offering shorter commute times, housing prices well below the national average, and the lifestyle of a large city.

Greater Rochester, NY, is one of the most productive regions in the country, ranking third in degrees per capita, according to the latest U.S. Department of Education reports. Our scientists and engineers are behind the technology powering a mission on Mars, a cancer-preventing vaccine, and powerful fuel cell technology, making Rochester among the nation's top cities for patent generation. The Greater Rochester, NY region ranks 10th among small tech talent markets in the U.S. and Canada. Furthermore, Rochester is home to a diverse set of businesses that have capitalized on our area's highly educated workforce, research centers of excellence and industry expertise in fields such as food and beverage manufacturing, optics, photonics and imaging, biotech and life sciences, energy innovation, software and IT services.

Rochester is trending at national unemployment rate averages. The unemployment rate (not seasonally adjusted) for the Rochester area as of June 2017 was 4.8%, up from 4.5% in June 2016. The national average rate for June 2017 is 4.8%, down from 5.1 % a year earlier and the State average for the same period is 4.5%.

Projected Enrollment

The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total K – 12 enrollment over the next five years from 26,976 students enrolled in fiscal 2016-17 to a projected 24,947 students enrolled in fiscal 2021-22; an overall projected decrease of 2,029 students over the next five years, or 7.5%. This decline is expected to level off during years five through ten of the enrollment projection period.

Charter schools continue to be the primary factor in the continued decline in District enrollment. The District anticipates the opening of one additional charter school, Exploration Academy, in 2017-18, with a projected enrollment of 166 students. This will be offset by the mandated closing of the Rochester Career Mentoring Charter School, with approximately 236 students, some of whom will be re-enrolled into the District. Additionally, eight of the existing charter schools will continue to grow out by offering additional grade levels which will expand their enrollments. As such, the District struggles to balance the impacts of declining enrollments with capacity requirements while maintaining minimum disruption to its local communities.

Sources:

- 1 Greater Rochester, NY Regional Economic Development
- 2 Bureau of Labor Statistics, U.S. Department of Labor

Age of School Buildings

The District owns forty-eight school buildings with an average age of 72 years old. Twenty-four of these buildings have some portion that is more than 80 years old. Given the number and overall age of the buildings, there is a constant demand for building repair or upgrading.

Age of School Building	Elementary	Secondary	Total
Under 20	0	1	1
20 to 39	3	2	5
40 to 59	14	3	17
60 to 79	2	0	2
80 and over	17	6	23
Total	36	12	48
<i>Oldest Building = 114; Average Age = 72</i>			
<i>Note: School Nos. 07, 16 and Monroe are temporarily closed for Modernization but included above.</i>			

The District does not have any buildings that have dangerous conditions; however, given the number and overall age of the buildings in the District’s inventory, the District continues to struggle to allocate enough of its limited resources to maintaining and modernizing its buildings. In the past, capital renovations for the District’s facilities were completed on a three-year rotation. Funding was allocated to eligible schools in a specific year based on the results of the building audit and an annual review of building needs which included feedback from school-based management. This rotation cycle has been suspended by the City of Rochester during the progression of the Facilities Modernization Program (FMP). In accordance with the 5-year, state-mandated building conditions survey most recently completed in 2016, the District has a need of \$467 million for building improvements over the next five years, however, the current Capital Improvement Plan proposes an investment of only about \$123 million over the next five years.

The Facilities Modernization Program (FMP) has provided an infusion of capital to help meet the long term District facilities renovation needs. The program enables the District to develop state-of-the-art schools for students and staff, establishes equity with facilities at other school districts, and creates learning environments that support the District’s strategic plan. However, the FMP will fall short of meeting the District’s ongoing and continuously-evolving capital needs, particularly in those schools which fall outside of the scope of the immediate focus of the plan.

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

In December 2014, the New York State Governor signed legislation approving Phase II of the program. Phase II is estimated to cost \$435 million and authorizes projects in 25 buildings plus a District-wide technology project. In July 2016 the Governor signed an amendment to the Phase II legislation which included a proposed change to the building aid reimbursement formula used by the State to reimburse the District. This amendment to the plan allows the doubling of the Maximum Cost Allowance (“MCA”) on select schools within Phase II in order to facilitate project completions over a five-year period, rather than

ten years, while still maximizing aid reimbursement. Phase II construction commenced during fiscal 2016-17 and is estimated to be completed in Summer 2021.

Financing of the District's capital projects not included in the FMP occurs through either of two means: a direct appropriation of cash capital from the current operating budget or by borrowing funds through the issuance of notes and bonds. The procurement of equipment and expenditures for improvements with short-term life cycles are generally financed through the operating budget. Equipment and facility improvements with long-term life cycles are generally financed through borrowed funds.

The District's Capital Improvement Program (CIP) is prepared as a companion document to the Superintendent's budget proposal and is intended to provide for capital investments to further the Superintendent's goals and initiatives as outlined in that document. The current CIP approved by the District's Board of Education identifies targeted facility renovations for 2017-18 to 2021-22. Funds have been earmarked for continuing specific program initiatives such as:

- ◆ *Building-system improvements* – roof replacements, masonry repairs, window and door replacements, HVAC and plumbing upgrades, electrical systems, restroom renovations, site improvements and other general renovations at elementary and secondary schools.
- ◆ *Compliance issues* – handicapped accessibility, lead and asbestos abatement, and energy conservation.
- ◆ *Building security and fire alarm system upgrades* – migration of the District's CCTV security camera system from an analog environment to a internet protocol (IP) platform as well as the installation of network capable fire alarm control panels in all buildings.
- ◆ *Academic improvement initiatives* – address changes at schools that are in transition such as schools requiring grade-level changes, Pre-K additions and any other classroom modifications.
- ◆ *Athletic facility and field initiatives* – address needed upgrades or renovations to promote physical education and athletic competition.
- ◆ *City recreation center initiatives* – renovations at City recreation centers utilized by the District for physical education.

The City of Rochester continues to be in compliance with the New York State legislation associated with the Maintenance of Effort (MOE) that the City must provide in funding support to the District. The City is required to maintain a consistent level of financial support, currently \$119.1 million, in annual funding to the District. According to the MOE legislation, if the local share of net debt service paid by the District for construction improvements increases, the City could be required to increase its funding support to the District by the corresponding amount. In an effort to minimize its exposure to increased funding, the City monitors the potential impact of the MOE legislation annually, prior to committing to new CIP funding for the District.

Major Initiatives

Rochester's students and families urgently need better educational outcomes. Our District ranks at or near the bottom statewide in student achievement, with some of the lowest test scores and graduation rates. Yet we have excellent staff members, many students who persevere and succeed, and some excellent schools. Our challenge is to make success more widespread and immediate. All of our schools must provide a certain path out of poverty for our children and serve as an asset to our City's vitality. With this in mind, the Superintendent is leading the following strategic initiatives:

- ◆ *Drive More Resources to Schools and Students* – Through individual analysis of each department and school budget, reducing bureaucracy and layers of management, and shifting centralized resources to schools where possible.
- ◆ *Improve Teaching and Learning Support for Schools* – By building real-time data tracking systems to review key performance indicators for every student and developing actionable strategies that disrupt poor performance cycles, redesigning the Teaching & Learning organization into ongoing teams that work in partnership with schools, expanding culturally responsive models of instruction, and increasing support for professional learning.
- ◆ *Increase Learning Opportunities at Every Grade Level* – Maintain and expand programs for 3 and 4 year olds; ensure adequate mandated instructional time and strengthen literacy and math instruction for all grades K to 8; give students full access to exploratory courses, acceleration, remediation, provide social and emotional services, return the AVID program to middle grades; expand CTE opportunities, increase advanced coursework, AP and early college options and enrollment in secondary grades.
- ◆ *Strengthen Partnerships with Parents and Community Organizations* – By expanding the role of schools as the driver of improvement with School-Based Planning Teams; development of an RCSD community schools model using the “community as our classroom”; model by leveraging learning opportunities with community and corporate organizations; and increasing corporate and nonprofit financial sponsorships to adopt schools and programs, while delivering services to students.

Relevant Financial Policies

The District evaluates its cash requirements on a daily basis, and any surplus funds are invested by the City, generally in repurchase agreements, for terms that accommodate the estimated financial needs of the District at the highest interest rates available. The amount of interest earnings reported in the General fund for 2016-17 was \$95,335. The weighted average yield to maturity of purchases by the General fund was 0.06% for 2016-17 and 0.08% for 2015-16.

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 supervision of the Chief Financial Officer.

Legal Requirements

New York State law requires an annual audit, conducted by an independent accounting 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-eight years, the District's Comprehensive Annual Financial Report (CAFR) has earned the Association of School Business Officials International (ASBO) Certificate of Excellence Award. This award is made only to governmental units that publish a CAFR that is easily readable, efficiently organized, and conforms to program standards, as well as satisfies generally accepted accounting principles (GAAP) and applicable legal requirements.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rochester City School District for its CAFR for the fiscal year ended June 30, 2016. This was the twenty-seventh consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgements

Our appreciation goes first to the entire staff of the Department of Accounting. The preparation of this report could not have been accomplished without the efficient and dedicated services of this staff. Their many hours of hard work in gathering, organizing and analysis of information allow the District to present the high quality CAFR. We would also like to thank the District's Board of Education, as well as 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,



Barbara Deane-Williams
Superintendent of Schools



Everton Sewell
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, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

Rochester City School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

List of Rochester City School District Officials As of June 30, 2017

MEMBERS OF THE BOARD OF EDUCATION

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

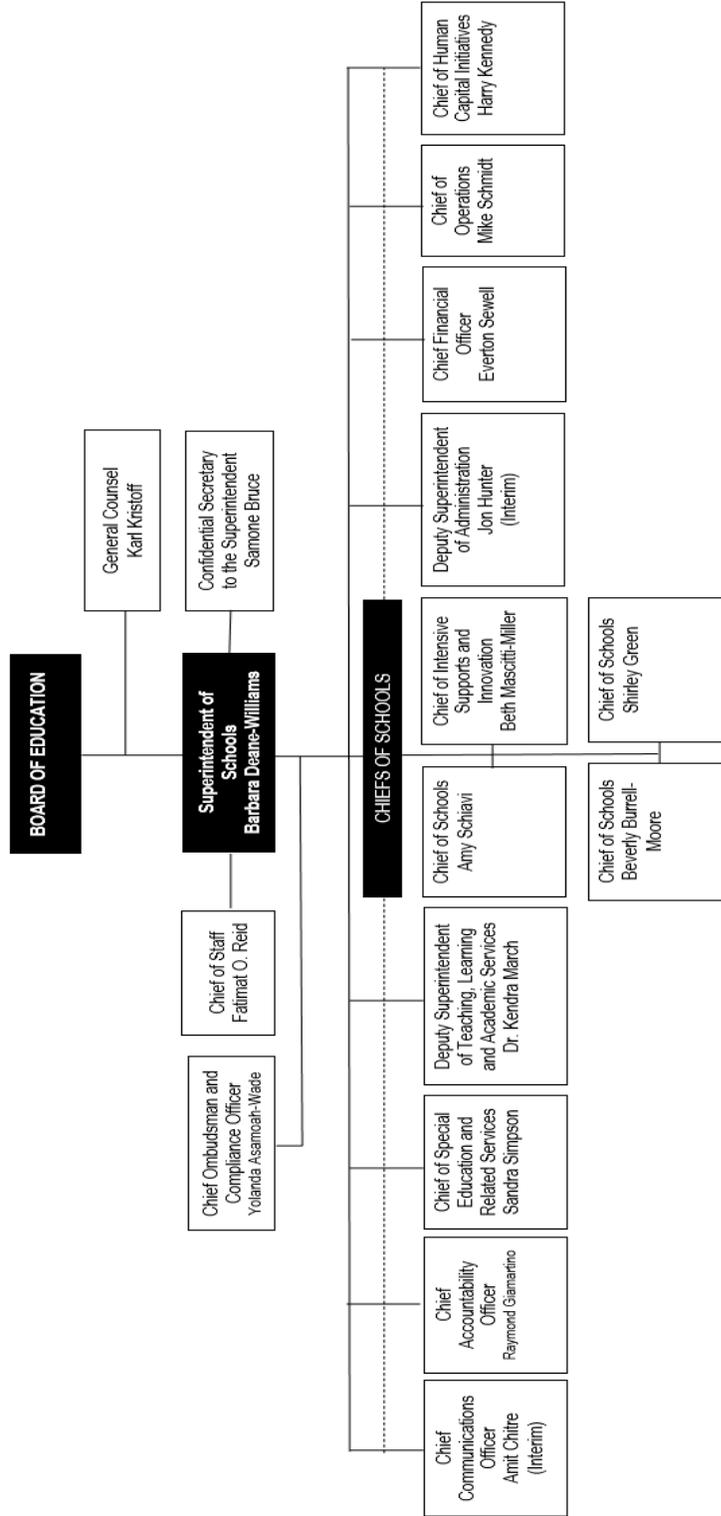
SUPERINTENDENT'S EXECUTIVE LEADERSHIP TEAM

Barbara Deane-Williams	Superintendent of Schools
Beverly Burrell-Moore	Chief of Schools
Amit Chitre	Interim Chief of Communications
Raymond Giamartino	Chief Accountability Officer
Shirley Green	Chief of Schools
Jon Hunter	Interim Deputy Superintendent of Administration
Harry Kennedy	Chief of Human Capital Initiatives
Karl Kristoff	General Counsel
Kendra March	Deputy Superintendent for Teaching and Learning
Elizabeth Mascitti-Miller	Chief of Schools
Fatimat Reid	Chief of Staff
Amy Schiavi	Chief of Schools
Michael Schmidt	Chief of Operations
Everton Sewell	Chief Financial Officer
Sandra Simpson	Chief of Special Education and Related Service

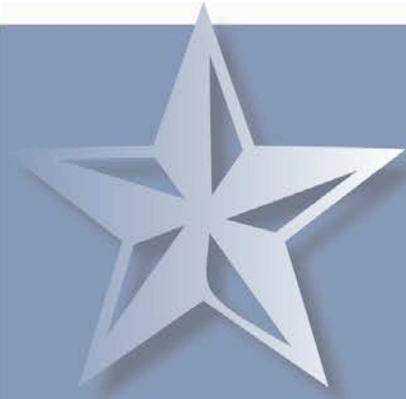


Rochester City School District Organizational Chart – June 30, 2017

Every child is a work of art.
Create a masterpiece.



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FINANCIAL



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities; each major fund and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2017, 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, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents; and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Other Sources, Expenditures, and Other Uses – Budget And Actual (Non-GAAP Budget Basis) – General Fund, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budget Basis) – Debt Service Fund, Summary Schedule of Project Expenditures – Capital Projects Fund, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed above, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
November 15, 2017

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

As management of the Rochester City School District (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2017 by \$78,595,325; a decrease of \$26,804,644 as compared to the prior year’s balance. Rising costs associated with contractual benefit and salaries increases, post-employment health insurance, charter school tuition, and student transportation were the primary contributors to this decrease.
- Due to declining Employee and Teachers’ Retirement System (ERS and TRS) contribution rates, the District has opted out of both the ERS and TRS pension cost deferral programs. Generally, retirement system rate characteristics mirror the stock market on a several year lag. District contributions for the ERS and TRS pensions were \$9.8 and \$30.0 million for 2016-17 as compared to \$11.9 and \$33.8 million for 2015-16, respectively, excluding any amortization repayments.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$20,494,674, a decrease of \$62,626,402 in comparison with the previous year. The most significant factor contributing to the \$62.6 million decrease was timing issues surrounding the non-issuance of capital projects bond funding for both the District’s ongoing capital improvements, as well as the Facilities Modernization Project (FMP).
- At the end of the current fiscal year, the unassigned portion of the fund balance for the General fund was \$8,621,907 or 1.2% of total budgeted General fund expenditures of \$749,464,061 for 2017-18.

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

**ROCHESTER CITY SCHOOL DISTRICT
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Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., claims payable and vacation time earned but unused).

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

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

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

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

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Special Aid fund, School Food Service fund, Debt Service fund, Capital Projects fund, and Rochester Joint Schools Construction Board fund, all of which are considered to be major funds.

The District adopts an annual appropriations budget for its General fund, Special Aid fund, School Food Service fund, and Debt Service fund. Budgetary comparison schedules have been provided for the General fund, Special Aid fund and School Food Service fund with adopted budgets to demonstrate compliance with the budget. These schedules are presented in the Required Supplementary Information section of this report. The basic governmental fund financial statements can be found on pages 37-43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 44 and 45 of this report.

**ROCHESTER CITY SCHOOL DISTRICT
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Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46-73 of this report.

Government-wide Financial Analysis

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$78,595,325 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$223,450,428 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 \$150,528,156 reported at June 30, 2017 is not current and represents liabilities that will be funded with future budgets. This occurred because the District is required to accrue in its government-wide statements all of its long-term obligations.

An amount of \$5,673,053 is reported on the balance sheet as restricted because its use is limited. This amount represents certain proceeds from serial bonds which are limited in use by their respective bond covenants and amounts held for loans to contractors as a result of an RJSCB settlement agreement.

Rochester City School District's Net Position

Governmental Activities	<u>2015-16</u>	<u>2016-17</u>
Current and other assets	\$ 379,554,468	\$ 198,135,684
Capital assets (net of accumulated depreciation)	594,495,000	620,869,049
Total assets	<u>974,049,468</u>	<u>819,004,733</u>
Deferred outflows	74,715,904	191,716,993
Total deferred outflows of resources	<u>74,715,904</u>	<u>191,716,993</u>
Long-term liabilities outstanding	754,935,003	740,988,956
Other liabilities	123,857,264	181,326,295
Total liabilities	<u>878,792,267</u>	<u>922,315,251</u>
Deferred pension inflow	64,573,136	9,811,150
Total deferred inflows of resources	<u>64,573,136</u>	<u>9,811,150</u>
Net investment in capital assets	218,698,255	223,450,428
Restricted	21,231,949	5,673,053
Unrestricted (Deficit)	(134,530,235)	(150,528,156)
Total net position	<u><u>\$ 105,399,969</u></u>	<u><u>\$ 78,595,325</u></u>

**ROCHESTER CITY SCHOOL DISTRICT
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“Current and other assets” decreased by approximately \$181.4 million during fiscal year 2016-17. The most significant factor impacting this decrease was the conversion of the TRS long-term asset of \$172.8 million in 2015-16 to a liability of \$17.7 million. This drastic shift in TRS pension activity is the result of the TRS reducing the plan discount rate from 8% in 2015-16 to 7.5% in 2016-17. The impacts of the discount rate reduction are offset by a net increase in deferred outflows related to the TRS pension system of \$137.2 million. The majority of the remaining \$8.6 million reduction in current and other assets is due to a reduction in the amounts due to the District from the State for 2016-17 aid at year end, as compared to the previous year. Amounts due at the end of any given fiscal year from the State for aid payments vary on a variety of factors from year-to-year such as the State’s cash-flow, financial aid ratios and computations, and the timing of claim submissions.

“Capital assets (net of accumulated depreciation)” increased by approximately \$26.4 million during fiscal year 2016-17. An additional \$59.5 million was spent on construction in progress during fiscal 2016-17. A significant amount of this spending, \$34.9 million, was on construction improvements associated with the completion of Phase I and startup of Phase II of the Facilities Modernization Program (FMP). The balance, \$24.6 million, was associated with the District’s construction improvement program. \$51.7 million of the construction in progress activity during fiscal 2016-17 was placed in service as asset additions for the District. At year end June 2017, a balance of \$70.6 million remains in construction in progress, a \$7.9 million increase over the prior year ending balance of \$62.7 million.

“Deferred outflows” increased by approximately \$117.0 million overall, as compared to the prior year. Amounts reported as deferred outflows reflect the District’s allocated portion of deferred outflows for the pension plans; these amounts will be amortized over time as pension expense. As mentioned previously, \$137.2 of this increase is the net result of the impact of the reduction in the TRS plan discount rate, which was offset by the ERS plan decrease in deferred outflows of \$20.5 million. The remaining \$0.2 million increase is due to deferred charges on bond refunding. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

“Long-term liabilities outstanding” decreased by approximately \$13.9 million overall, as compared to the prior year. The majority of this decrease is attributable to the \$35.5 million reduction in general obligation bonds payable, given that no such bonds were issued for construction financing during the fiscal year. The amounts due to the ERS and TRS for the deferral of prior year pension contributions decreased by \$2.3 million due to annual loan repayments made during the fiscal year. These decreases were offset by a \$25.7 million net increase in other postemployment benefits for retiree healthcare costs. The remaining difference of \$1.8 million is the net decrease of nominal increases and decreases from year to year for liabilities such as compensated absences, workers compensation claims, installment purchase debt, and amortized bond premiums.

The \$57.5 million increase in “Other liabilities” was attributable to two main factors. There was a \$17.9 million increase in accounts payable and accrued liabilities at year end resulting from timing issues for teachers’ pay that was included as part of the 2016-17 payroll accrual, but not included as part of the 2015-16 payroll accrual. Additionally, the amount of Bond Anticipation Notes payable outstanding at the end of fiscal year 2016-17 was \$63.6 million as compared to \$18.0 million the previous year, or an increase of \$45.6. These increases were primarily offset by

**ROCHESTER CITY SCHOOL DISTRICT
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a \$6.5 million decrease in amounts due to the retirement systems which resulted from decreased contribution rates resulting from opting out of the TRS deferral program during 2016-17. The remaining \$0.5 million in decreases is the net decrease in other liabilities such as unearned revenue, and amounts due to fiduciary funds and other governments.

“Deferred pension inflows” decreased by approximately \$54.8 million primarily as a result of the previously mentioned reduction in the TRS pension plan discount rate from 8.0% in 2015-16 to 7.5% in 2016-17. Similar to pension outflows, amounts reported in this account are amortized over time as a pension expense and reflect the District’s allocated portion of deferred inflows in the ERS and TRS employer cost sharing plans. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

As mentioned previously, the unrestricted deficit of \$150,528,156 reported at the end of fiscal year 2016-17 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>2015-16</u>	<u>2016-17</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,239,359	\$ 2,539,716
Operating grants and contributions	113,987,817	118,232,454
General revenues:		
State & federal aid	497,713,112	527,620,451
Intergovernmental	119,100,000	119,100,000
Lottery aid	68,357,659	70,014,974
Other	15,930,639	9,647,111
Total Revenues	<u>817,328,586</u>	<u>847,154,706</u>
Expenses		
General support:		
Board of Education	1,184,391	826,611
Chief school administrator	2,509,063	1,254,537
Finance	7,418,291	7,166,275
Staff	7,755,959	8,664,357
Central Services	82,909,676	84,582,223
Other	4,814,857	5,578,543
Total General Support	<u>106,592,237</u>	<u>108,072,546</u>
Instruction:		
Administration and improvement	67,388,814	74,173,631
Teaching	477,002,393	534,213,686
Instructional media	9,349,425	10,075,991
Pupil services	40,769,018	46,122,793
Total Instruction	<u>594,509,650</u>	<u>664,586,101</u>
Pupil transportation	77,363,591	80,517,980
Community services	3,124,667	2,496,464
Interest on long-term debt	18,814,372	18,286,259
Total Expenses	<u>800,404,517</u>	<u>873,959,350</u>
Increase (decrease) in net position	16,924,069	(26,804,644)
Net Position - Beginning	<u>88,475,900</u>	<u>105,399,969</u>
Net Position - Ending	<u>\$ 105,399,969</u>	<u>\$ 78,595,325</u>

**ROCHESTER CITY SCHOOL DISTRICT
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Charges for services increased by approximately \$0.3 million primarily due to enrollment and tuition rate increases for students from Districts outside of the City who are placed within the City's residential, medical, or incarceration facilities.

Program revenues from operating grants and contributions increased by approximately \$4.2 million, as compared to the previous year. This increase was primarily due to State funding received to offset higher tuition costs resulting from increased enrollment in State supported schools for the deaf, as well as the expansion of the 3 year olds' Pre-K grant from a ½ fiscal year during 2015-16 to a full year implementation during the 2016-17 fiscal year. Additionally, State grant funding increased for the full implementation of the Persistently Struggling Schools grant during 2016-17, whereas in the year prior the initiative was in the planning phase.

Prekindergarten through twelfth grade public education in New York state was estimated to be a \$59 billion enterprise in the 2012-13 school year. The funding to pay this cost is derived predominately from a combination of three sources: the State, the Federal government, and localities such as school districts and local municipalities. Increases in State aid are tied to statewide increases in personal income growth, but such growth can never be negative. Should there be such an occurrence, applicable amounts are frozen at the base year. The bulk of these State monies used to support public elementary and secondary education is derived from the "big three" state tax revenues: the personal income tax, the sales (and use) tax, and various corporate taxes. There are a number of different bases on which State aid is distributed, depending on the type of aid. Some aid is distributed according to wealth-equalizing formulas. This means that the wealthier a district is, in terms of the property value and adjusted gross income, the less aid per pupil it receives. Conversely, the poorer a district, the more aid per pupil it receives.

State and Federal aid increased by approximately \$29.9 million overall during 2016-17 as compared to the previous year. The net increase is primarily attributable to a \$27.3 million increase in New York State Basic Formula aid payable under New York State Education Law (NYSEL) 3609a, as compared to the previous year. The allocation of State aid is determined annually by the State of New York and is determined by factors such as the District's enrollment, special education requirements and poverty level. Embedded within the broad category of Basic Formula Aid is Foundation aid, a formula driven aid, and reimbursable aids which require a district to incur expenses in advance of subsequent reimbursement the following year or years by the State. Reimbursable aids are provided for items such as transportation services and building aid. Charter School Supplemental Basic Tuition increased by \$0.6 million primarily due to an increased per student rate of \$500, as compared to \$350 per student in the previous year. These funds are paid by the District to Charter Schools on behalf of resident students attending Charter Schools. State Excess Cost Aid increased by approximately \$0.6 million as compared to the previous year. Excess Cost Aid is aid provided to the District for certain resident students with disabilities which require special education at approved public and private schools. This aid is provided to partially defray the costs of educating children who require care in settings beyond that which is provided to disabled children who are able to be integrated within the traditional school environment. Federal aid for Medicaid reimbursements increased by \$0.1 million as a result of increased efforts in the administrative compliance required for claims submission and reimbursement. An additional \$0.4 million increase in Federal aid was received during 2016-17 as compared to the prior year for reimbursements of student meals. The remaining increase of \$0.9 million is attributable to nominal decreases in a variety other State aid categories.

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Lottery aid increased by approximately \$1.7 million during 2016-17 as compared to the previous year. Lottery aid comprises approximately 12% of the State's overall funding of elementary and secondary public education. The State lottery is specifically authorized by its Constitution to support public education. All revenues from the state lottery, after prizes and the cost of administration, must be used for the support of education. The District's share of the lottery proceeds is computed according to an equalized formula based on taxable property wealth per pupil and varies in accordance with participation rates from year to year.

Buffalo, New York City, Rochester, Syracuse, and Yonkers, each with populations over 125,000, are referred to as "the Big 5" city school districts. These city school districts do not levy taxes to raise revenues as do the rest of the state's school districts. Rather they are dependent on the portion of the city budget devoted to education each year for the local share of their budgets. The cities differ in the extent to which they allocate a portion of their budget for education, however, they must comply with certain legal requirements to demonstrate a "maintenance of effort" in this regard. Currently, the District receives a designated amount of \$119.1 million per fiscal year as its allocation from the City budget. This amount was reduced from \$126.1 million in fiscal 2004-05, and has remained level since that time.

Other revenue decreased by approximately \$6.3 million, as compared to the previous year. This decrease was due to decreases in premiums on the debt sales of general obligation bonds, of which there were none in 2016-17, as well as decreases in refunds of prior year expenditures and other unclassified expenditures.

Expenses in general support categories for chief administration decreased by approximately \$1.3 million, while other general support staff and central services increased by \$0.9 million and \$1.7 million, respectively. The decrease in chief administration is primarily due to the net effect of reductions in long term assets and long term liabilities incurred for the ERS pension plan, which measures the District's proportionate share of the ERS pension system. Operational increases in general support staff and central services outpaced the impacts of the ERS plan net reductions in assets and liabilities in those programs.

Instructional expenses for "Administration and improvement" increased by approximately \$6.8 million, as compared to the previous year. Of this increase, approximately \$2.0 million was due to increases in long-term liabilities such as compensated absences, retiree health insurance and the New York State Teachers' Retirement System (TRS). During 2016-17, the TRS program's proportionate share of increase in liability resulted from the plan's change in discount rate. Prior to this rate change, the plan was overfunded, as the ratio of the plan's net position to the employers' total pension liability was 110.0%. Subsequent to the rate change, this ratio is now 99.0%, and as such is slightly underfunded. An additional \$1.9 million of the overall increase was attributable to increases in professional development expenses for staff. The remaining \$2.8 million increase is primarily attributable to contractual salary and benefit increases for active staff members.

Instructional expenses for teaching increased by approximately \$57.2 million, as compared to the previous year. Of this \$57.2 million increase, approximately \$17.7 million is a result of increased expenses for operating increases in the governmental general operating fund for Charter School tuition payments, bilingual textbooks, staff professional development, summer school expansion, and additional teaching, substitute and intervention support staff. An additional \$7.5 million in expense increases was incurred for operating grant funded programs such as Pre-K and

**ROCHESTER CITY SCHOOL DISTRICT
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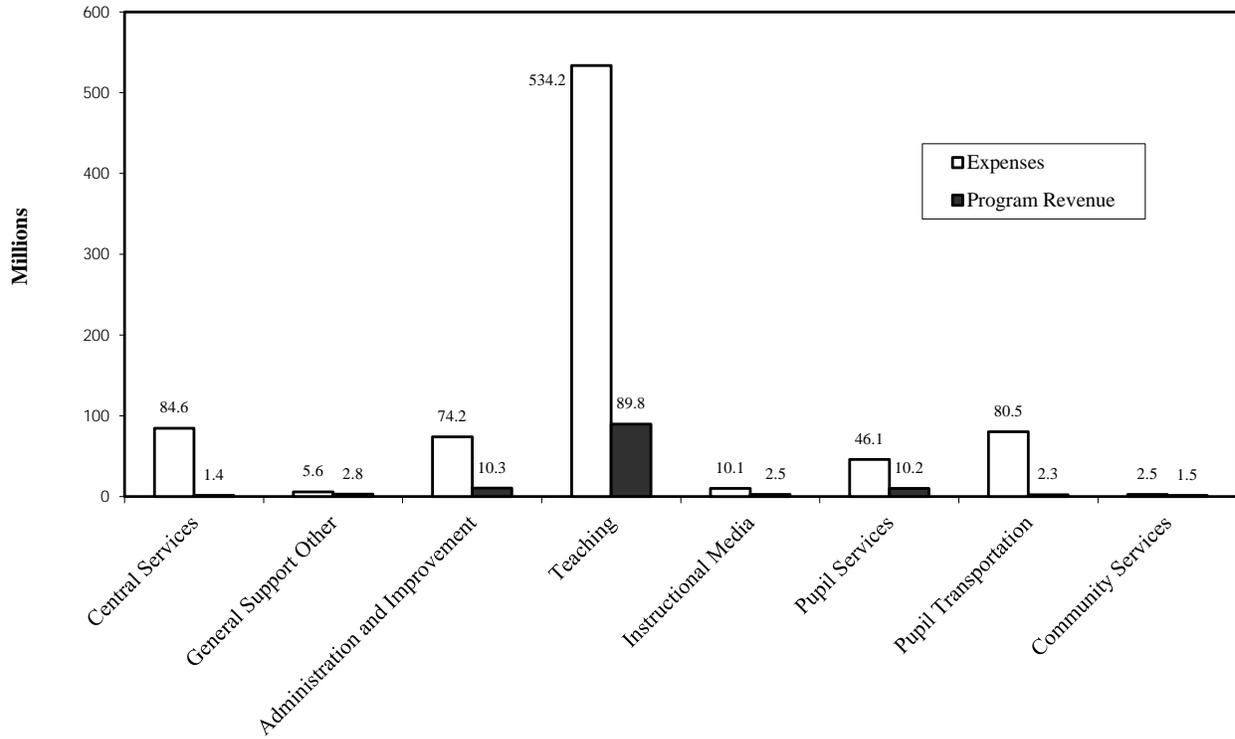
persistently struggling school programs. Approximately \$18.9 million of the increase is due to contractual salary and benefit increases for active employees. Additionally, a \$13.1 million increase was incurred for net increases in long term liabilities such as the teaching program's proportionate share of the increase in the TRS pension system liability, the liability for retirees' health insurance and the loan payable to the TRS pension system for deferred contributions for teachers' pensions. In addition to NYS pensions, the District provides retiree health insurance benefits to qualifying individuals as part of the total compensation offered to attract and retain the services of qualified employees. In addition to normal increases from year to year beyond the costs associated with any increases in health insurance plan membership or rates, a substantial, incremental liability increase occurs as the liability is phased-in over a period of 30 years since the GASB 45 pronouncement's inception. The liability for deferred contributions for teacher's pensions represents a loan payable for deferred District contributions to the TRS pension system, due to sharply rising pension system rates in previous years. For additional information on these liabilities, refer to Notes IV.H., V.B. and V.C. of this report.

Instructional expenses for pupil services increased by approximately \$5.4 million, as compared to the previous year. Of this \$5.4 million increase, approximately \$2.1 million was attributable to operational increases that occurred within the pupil service program during the fiscal year. These operational increases were for items such as increases in the BOCES nursing contract and health services provided to students in other districts, as well as increases in staff for psychological and counseling support services. The remaining \$3.3 million increase is primarily due to the pupil services program's proportionate share of the increase in TRS pension system, retiree health insurance and deferred TRS pension contribution liabilities that were previously described.

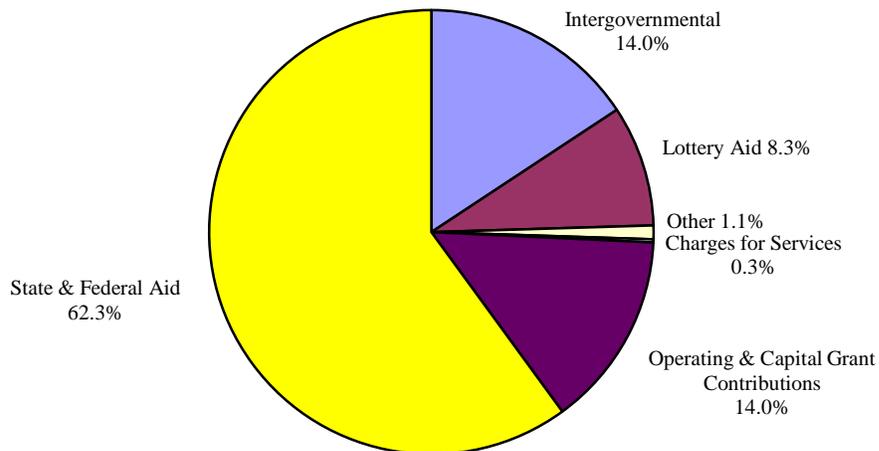
Pupil transportation expenses increased by approximately \$3.2 million, as compared to the previous year as a result of additional routing requirements for charter schools that were necessary to accommodate various school scheduling constraints and complexities that occurred during the 2016-17 school year. Due to contractual issues with Regional Transit Service, the number of students transported on District-owned buses increased during 2016-17, which also contributed to increased District transportation expenses as well. Additionally, transportation contract pricing with outside transportation providers increased by approximately 2.5% as compared to the previous year.

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



Revenues by Source – Governmental Activities



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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 \$20,494,674, a decrease of \$62,626,402 from the prior year's fund balance of \$83,121,076. Components of the fund balance consist of a non-spendable fund balance of \$1,837,299, a restricted fund balance of \$5,673,053, a committed fund balance of \$27,039,758, an assigned fund balance of \$24,423,794 and an unassigned, deficit fund balance of (\$38,479,230). 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 cash set-aside for future debt payments associated with the Facilities Modernization Program. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

There are several reasons for this decrease of approximately \$62.6 million in the combined ending fund balance. While a bond in the amount of \$18.9 million was issued during 2015-16 for the District's ongoing Capital Improvement Program (CIP), no Bonds were issued during 2016-17 for either the CIP or the District's Facilities Modernization Program (FMP), pending SED approval of the next series of projects. As such, \$28.8 million in CIP capital expenditures and \$41.1 million in FMP capital expenditures which occurred during 2016-17 created deficits in the Capital Projects and RJSCB funds. Another factor impacting the decline in the combined fund balance was an operating loss of \$5.0 million in the General fund, primarily due to continued increases in contractual salary, benefit and charter school payments.

General Fund

The General fund is the chief operating fund of the District. At the end of the current fiscal year, the District recorded \$1,139,063 in prepayments classified as non-spendable fund balance, \$5,573,029 of restricted fund balance to apply to future debt service payments, \$26,889,758 of committed fund balance, \$23,594,548 of assigned fund balance and \$8,621,907 of unassigned fund balance. For additional information on the District's General fund balance policies, refer to Note I. E. 13. 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. At June 30, 2017, assigned and unassigned balances totaled \$32,216,455 and were approximately 5.0% of the total fund operating expenditures of \$647,146,163.

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In the aggregate, revenues and other financing sources increased by 3.5%, or approximately \$24.0 million, while expenditures and other financing uses increased by 4.9%, or approximately \$33.3 million from fiscal year 2015-16 to fiscal year 2016-17. The outpacing of increased expenditures as compared to revenues contributed to a decrease in the fund balance of the General fund of \$5.0 million, as compared to the previous year.

Revenues from other local sources decreased by approximately \$2.8 million, as compared to the previous fiscal year. Increases of approximately \$0.2 million in investment income were offset by decreases of \$3.0 million in other revenues, primarily due to a one-time recovery of a prior year expenditure in 2015-16 related to the release of a previous year's obligation to the State associated with the Contract for Excellence.

Revenues from state sources increased by approximately \$31.0 million overall, as compared to the previous fiscal year. Of this increase, \$27.3 million was attributable to an increase in Basic Formula Aid, payable under New York State Education Law (NYSEL) 3609a. The allocation of Basic Formula aid is determined annually by the State of New York, and is based on a variety factors such as the state's financial position, enrollment, special education requirements and poverty level. Additionally, Lottery Aid, also payable under Section 3609a of NYS Education Law, increased by \$2.6 million. New York State Lottery proceeds are used to support elementary, middle and secondary education and vary in accordance with annual lottery revenues generated. The remaining \$1.1 million increase is primarily attributable to increases in Excess Cost Aid and Charter School Supplemental Basic Tuition, which were offset by slight variances in other aid categories.

Federal revenues increased by approximately \$0.1 million, as compared to the previous year due to increases in Medicaid reimbursements.

District operating expenditures in the General fund increased by \$25.5 million overall, or 4.1% over the previous fiscal year. Operating expenditure activity occurred as follows:

In an effort to ensure that to the greatest extent possible, District resources are dedicated to classroom spending, expenditures in general support categories remained relatively stable at a nominal \$0.3 million, or .01 % increase. The general support category includes expenses for business office staff and other central services such as plant maintenance, printing, data processing and mailing.

Expenditures for instructional purposes are incurred in an effort to provide a quality education in the safest and most economical way for every student. As such, instructional related expenditures increased by \$22.8 million overall, or 4.8%, during 2016-17 as compared to the previous year. A significant factor that drives the increase in instructional expenditures continues to be increases in basic (vs. special education) education tuition payments to Charter schools. During fiscal 2016-17, the District made basic education tuition payments to Charter schools in the amount of \$69.2 million, as compared to \$59.6 million in the prior year, or an increase of \$9.6 million due to increased tuition rates of \$150 per student and additional enrollments of 683 students as compared to the previous year. Additionally, Charter school tuition payments for students receiving special education increased by an additional \$0.5 million in fiscal 2016-17 as compared to the previous year. Textbook expenditures increased by approximately \$0.5 million to support District initiatives such as the adoption of bilingual textbooks, and early grades skill-building textbooks. Expenditures for teaching salaries for regular educational instruction increased by

**ROCHESTER CITY SCHOOL DISTRICT
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approximately \$4.7 million due to the addition of approximately 32 teachers in 2016-17 as compared to 2015-16, the addition of approximately 20 teaching assistants for intervention support services, and increased teacher substitute expenses. Similarly, expenditures for teaching salaries for special education instruction increased by approximately \$2.5 million for the addition of approximately 68 special education teachers during 2016-17. The full magnitude of this impact is not realized during 2016-17, due to the usage of per diem substitutes in this capacity, as well as delays in the hiring process during the school year. Additionally, salaries for the District's summer school program increased by approximately \$0.9 million in an effort to meet program goals and staffing requirements. Increases in nursing services of approximately \$0.8 million occurred due to increases in the BOCES nursing contracts and health services that were provided for students originating in other districts who attended District programs. A reclassification of instructional expenditures during 2016-17 from the Special Aid fund to the District's General operating fund for elementary school librarians who were funded under Title I in the previous year contributed to an additional \$1.5 million in instructional expenses. Also, the District placed a more intensive focus on professional development in an effort to ensure quality instruction and the accomplishment of District goals and initiatives, as such, the District's in-service professional development costs increased by approximately \$1.9 million as compared to the previous year. The preceding increases were offset by a net decrease of \$0.1 million, primarily attributable to operational efficiencies.

Debt service principal expenditures decreased by approximately \$0.6 million, or 15.5%, as compared to the previous year due to a reductions in amortized BAN payments and payments for Energy Performance Contracts recorded in the General fund.

Expenditures for transfers out increased by approximately \$7.7 million, or 14.1%, as compared to the previous year due to amortized FMP Bond payments paid out of the General fund and recorded in the Debt Service fund.

Special Aid Fund

There was no change in the Special Aid fund balance from fiscal year 2015-16 to fiscal year 2016-17, as the Special Aid fund maintains a "zero" fund balance from year to year. Revenues and other sources and expenditures and other uses increased by approximately \$4.1 million, or 3.5%, as compared to the previous fiscal year.

The composition of the grants awarded to the District sourced from federal and state funding changed significantly between fiscal years. Revenues from state sources increased by approximately \$13.0 million, or 24.7%, while revenues from Federal sources decreased by approximately \$8.8 million, or 15.3%, as compared to the previous year.

Of the \$8.8 million decrease in Federal funding, \$1.1 million in reductions were due to the elimination of the Teacher Incentive Fund (TIF) grant that expired during 2015-16. \$7.0 million in reductions were due to decreases in Title I funding for the summer school program and Supplemental Academic Services (SAS), the lack of State approved carry-over funding and the reclassification of transportation costs to the General fund. The remaining \$0.7 million of the overall \$8.8 million reduction to Federal funding was due to Title II A funding for teacher and principal training.

The \$13.0 million increase in State funding was primarily attributable to increased enrollment in State supported schools for the deaf, the expansion of the 3 year olds' Pre-K grant from a ½

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

fiscal year to a full fiscal year, and full execution and implementation of the Persistently Struggling Schools grant during 2016-17.

School Food Service

Revenues increased by approximately \$0.5 million, or 2.0%, in the School Food Service fund during fiscal 2016-17 as compared to the prior year, while expenditures decreased by approximately \$1.4 million, or 5.7%.

Approximately \$0.1 million of the \$0.5 million overall revenue increase in the Food Service fund is attributable to increased utilization of surplus food commodities as part of the new fresh produce program. This Federally sponsored program promotes healthier options through the purchase of fresh fruits and vegetables. Surplus food commodities are foods that are donated from the Federal government to the District. In accordance with governmental accounting principles, these commodities are recorded as a revenue and an expenditure at an amount equal to the commodity value provided by the Federal government. The remaining \$0.4 million increase in revenue is primarily due to an increase in Federal meal reimbursement rates. During fiscal year 2016-17, the District received an additional \$.05 for each breakfast served and an additional \$.09 for each lunch served, as compared to the previous fiscal year.

The primary reason for the \$1.4 million decrease in expenditures during 2016-17 was a reduction in food costs due to 3 less meal service days in 2016-17 as compared to 2015-16, the utilization of the Federal government commodity program to acquire fruits and vegetables, and improved contract utilization through the purchase of food from lower-cost vendors.

Debt Service

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

No fund balance existed in the Debt Service fund at the end of fiscal 2016-17. Any surplus balance in the Debt Service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned on existing, unused debt proceeds during the year. These earnings are transferred to the District's general operating fund and are used for repayment of future debt service requirements as per local finance law.

During 2016-17, the District refunded bond Series' 2006 A and B. Bond refundings typically occur when interest rates are favorable and a present-value savings results. For additional information on the bond refunding, refer to Note IV. H.

Capital Projects

The capital projects ending fund balance for fiscal year 2016-17 decreased by \$17.3 million from the prior year. The decrease is the net result of recording approximately \$11.5 million in revenue and other funding sources less \$28.8 million in expenditures and other funding uses for the year.

Revenues from local sources in the Capital fund increased by approximately \$0.7 million as compared to the previous year. This increase is primarily attributable to additional funding received by the City to support recreational center improvements at School #9. Expenditures

**ROCHESTER CITY SCHOOL DISTRICT
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increased by \$6.9 million as compared to the prior year, or approximately 31.4% due to an increase in the amount of available funds for planned construction improvements during fiscal year 2016-17.

Other financing sources decreased by \$14.8 million during the fiscal year primarily due to the conversion of BANs to bonds during 2015-16. The City, on behalf of the District, converts BANs to bonds when long-term interest rates make it advantageous to do so. No such conversions occurred during fiscal year 2016-17, which represents a decrease of \$19.6 million. This was offset by an increase of \$4.8 million in interfund transfers to the Capital fund during fiscal year 2016-17 as compared to the previous 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 decreased by \$40.7 million as compared to the previous year. This decrease is the result of ongoing expenditures for capital projects in the absence of the issuance of any new bonds during 2016-17.

Revenues from local sources in the RJSCB fund increased by approximately \$0.4 million as compared to the previous year. Revenue sources included a legal settlement associated with compliance activity of Minority and Women-owned Business Enterprise (MWBE) contractors, a donation to support a revolving loan fund to assist sub-contractors with working capital funds, and interest earnings.

The RJSCB recorded capital outlay expenditures of \$41.1 million for the fiscal year 2016-17, as compared to \$44.9 million in capital outlay expenditures during 2015-16. The decrease in capital outlay expenditures of \$3.8 million, or approximately 8.4%, is primarily due to the finalization of existing Phase I construction projects.

Budgetary Highlights – General Fund

The original 2016-17 budget was decreased/amended by (\$11,954,684) as follows:

<u>Revenues</u>	
Local sources	\$ -
State sources	(12,166,685)
Federal sources	-
	<hr style="border-top: 1px solid black;"/>
	(12,166,685)
Other financing sources - transfers in	212,001
Appropriated fund balance	-
	<hr style="border-top: 1px solid black;"/>
	\$ (11,954,684)
 <u>Expenditures</u>	
General support	\$ 4,045,015
Instructional	(7,822,717)
Pupil transportation	2,233,275
Community services	332,608
Employee benefits	(9,221,940)
Debt service	(175,556)
	<hr style="border-top: 1px solid black;"/>
	(10,609,315)
Other financing uses - transfers out	(1,345,369)
	<hr style="border-top: 1px solid black;"/>
	\$ (11,954,684)

**ROCHESTER CITY SCHOOL DISTRICT
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Significant changes between the original and final amended budgets for general fund revenues occurred due to decreases in State sources of \$12.2 million. This decrease was comprised of a \$7.0 million dollar decrease in State Foundation Aid associated with funding for community schools which is expected to be received in the 2017-18 year instead, and a \$5.2 million reduction in transportation aid due to an overestimation in the original budget, based on prior year activity.

The most significant general fund expenditure budget changes occurred in the general support, instructional, pupil transportation and employee benefit categories. The general support category increased by \$4.0 million due to increased disallowances, legal claims, and facilities maintenance and repair contracts. Instructional reductions of approximately \$7.8 million were due to 211 teaching position vacancies, which contributed to a corresponding reduction of \$9.2 million in benefits such as pension, healthcare and payroll tax costs. Pupil transportation increased by \$2.2 million due to increased routing demands for Charter schools and to accommodate program scheduling needs.

Final Budget to Actuals – General Fund

The only general fund expenditure category that experienced significant favorable variances between final budget and actual expenditures was in instructional, special apportionment programs. This favorable variance was primarily as a result of reduced spending for special education salaries due to existing vacancies.

Capital Asset and Debt Administration

Capital assets. The District's capital assets, net of depreciation, for its governmental activities as of June 30, 2017 amounted to \$620,869,049. 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 \$26,374,049.

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

- Ongoing repairs and improvements. The District added \$24.7 million in capital assets during the fiscal year consisting of long-term facility improvements and code compliance projects at facilities throughout the District. These address issues such as: roof replacements, masonry repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.
- The Rochester Joint Schools Construction Board (RJSCB) added an additional \$35.0 million in capital assets for the District during fiscal year 2016-17. These asset additions were mainly for the construction and renovation of the buildings included within Phase I of the Rochester School Modernization Program (RSMP). The overall project budget for Phase I of the RSMP is \$325 million over five years. The anticipated completion timeframe of Phase I is the fall of 2017.

**ROCHESTER CITY SCHOOL DISTRICT
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Capital Assets (Net of Depreciation) - Governmental Activities

	<u>2015-16</u>	<u>2016-17</u>
Land	\$ 17,349,160	\$ 17,349,160
Buildings & Improvements	502,603,035	521,840,461
Equipment & Other	11,815,963	11,125,222
Construction in Progress	62,726,842	70,554,206
Total	<u>\$ 594,495,000</u>	<u>\$ 620,869,049</u>

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

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding as follows:

	Governmental Activities	
	<u>2015-16</u>	<u>2016-17</u>
RCSD Bonds	\$ 139,270,000	\$ 118,020,401
RJSCB Bonds	245,880,000	231,585,000
Total	<u>\$ 385,150,000</u>	<u>\$ 349,605,401</u>

The City of Rochester, which issues debt on behalf of the District, has a rating of AA- from both Standard & Poor's and Fitch, and an Aa3 rating from Moody's Investors Service. The RJSCB Program has a rating of AA from Standard & Poor's, a rating of AA from Fitch and an Aa2 rating from Moody's Investors Service.

The legal debt margin of the District is established by the City of Rochester Charter. The limit is 3½% of the most recent five-year average of full valuation of taxable real estate for capital purposes. The debt limit at June 30, 2017 was \$209,627,173, leaving a debt contracting margin of \$60,040,772. The debt limit associated with the RJSCB is not subject to the City debt limit cap.

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

Economic Factors and Next Year's Budgets and Rates

The District is located within the City of Rochester (Rochester). Rochester struggles to maintain a strong economy even though its major employers have gone through significant downsizing. The District's largest single revenue source is New York State aid; therefore, local economic challenges are further impacted by the State's struggle to respond to its own budget constraints. The District began the 2017-18 budget planning process with a projected \$55.0 million deficit, due largely to contractual salaries and employee benefits as well as the expansion of charter schools. Due to contractual salary increases and staffing needs, salary compensation costs are growing by \$27.0 million. Despite the announced closure of one charter school, the continuing expansion of eight existing charter schools and the opening of one new charter school, resulted in a planned charter school tuition increase of \$7.0 million, the District's most significant single non-personnel expenditure, with an estimated expenditure of \$77.5 million budgeted in 2017-18. As part of its struggle to meet these growing costs, the District is currently reviewing alternatives to adjust staffing, employee benefits, contractual goods and service costs from

**ROCHESTER CITY SCHOOL DISTRICT
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providers. To reduce costs in the 2017-18 budget, we have identified and made other difficult choices. Key changes include the reduction of substitute teacher costs through fewer vacancies and improved monitoring of substitute usage, as well as the leasing of school buses to replace aging buses at a lower annual cost. Despite these cost reductions, the 2017-18 budget sustains funding for District priorities such as the East High School Educational Partnership Organization, expanded learning time, and reducing summer learning loss. The budget also includes support for a new Educational Partnership Organization at School #19, and significantly increases classroom resources for academic intervention. The District is also providing resources to support improvement plans at schools with low academic performance and investing in services that help schools to better meet the social and emotional needs of students, in part by leveraging grant funding to build a community schools model.

General Fund

The 2017-18 original budget of \$749,464,061 represents an increase of approximately 4.9% from the 2016-17 amended budget of \$714,525,991. The increase is primarily attributable to contractual salary and benefit increases, significant operating increases in Charter School tuition, and increased debt service costs in association with the Facilities Modernization Program.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, Rochester City School District, 131 West Broad Street, Rochester, New York 14614.

BASIC FINANCIAL STATEMENTS

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>
Assets	
Cash & Cash Equivalents	\$ 119,497,076
Restricted Cash & Cash Equivalents	22,483,504
Accounts Receivable	2,309,457
Due from Other Governments	51,966,691
Prepayments and Deposits	1,186,153
Inventories	692,803
Capital Assets (net of accumulated depreciation):	
Land	17,349,160
Buildings & Improvements	521,840,461
Equipment & Other	11,125,222
Construction In Progress	70,554,206
Total Assets	<u>819,004,733</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding, Net of Amortization	1,702,704
Deferred Pension Outflow	190,014,289
Total Deferred Outflows of Resources	<u>191,716,993</u>
Liabilities	
Accounts Payable and Accrued Liabilities	71,870,244
Due To Fiduciary Funds	8,500,511
Due To Other Governments	2,838,526
Due To Retirement Systems	32,451,689
Unearned Revenue	2,099,325
Notes Payable - BANs	63,566,000
Noncurrent Liabilities:	
Retainages Payable	1,232,323
Due Within One Year	49,802,795
Due in More Than One Year	689,953,838
Total Liabilities	<u>922,315,251</u>
Deferred Inflows of Resources	
Deferred Pension Inflow	9,811,150
Total Deferred Inflows of Resources	<u>9,811,150</u>
Net Position	
Net Investment in Capital Assets	223,450,428
Restricted for Debt Service	5,573,029
Restricted for Revolving Loan Program	100,024
Unrestricted (Deficit)	(150,528,156)
Total Net Position	<u>\$ 78,595,325</u>

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

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Function/Program</u>	<u>Expense</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position and Government Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General Support:				
Board of Education	\$ 826,611	\$ -	\$ -	\$ (826,611)
Chief School Administrator	1,254,537	-	-	(1,254,537)
Finance	7,166,275	-	-	(7,166,275)
Staff	8,664,357	-	-	(8,664,357)
Central Services	84,582,223	302,180	1,113,631	(83,166,412)
Other	5,578,543	-	2,791,488	(2,787,055)
Total General Support	<u>108,072,546</u>	<u>302,180</u>	<u>3,905,119</u>	<u>(103,865,247)</u>
Instruction:				
Administration and Improvement	74,173,631	-	10,263,065	(63,910,566)
Teaching	534,213,686	2,237,536	87,540,282	(444,435,868)
Instructional Media	10,075,991	-	2,451,382	(7,624,609)
Pupil Services	46,122,793	-	10,245,176	(35,877,617)
Total Instruction	<u>664,586,101</u>	<u>2,237,536</u>	<u>110,499,905</u>	<u>(551,848,660)</u>
Pupil Transportation	80,517,980	-	2,279,227	(78,238,753)
Community Services	2,496,464	-	1,548,203	(948,261)
Interest on Long-Term Debt	18,286,259	-	-	(18,286,259)
Total Governmental Activities	<u>\$ 873,959,350</u>	<u>\$ 2,539,716</u>	<u>\$ 118,232,454</u>	<u>(753,187,180)</u>
General Revenues:				
				119,100,000
				969,347
				527,620,451
				70,014,974
				8,677,764
				<u>726,382,536</u>
				(26,804,644)
				105,399,969
				<u>\$ 78,595,325</u>

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

**ROCHESTER CITY SCHOOL DISTRICT
BALANCE SHEET, GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDE JUNE 30, 2016**

(continued next page)

	General	Special Aid	School Food Service
Assets			
Cash and cash equivalents	\$ 119,481,281	\$ -	\$ 15,795
Restricted cash and cash equivalents	5,573,029	-	-
Receivables:			
Accounts	1,705,656	62,207	38,674
Due from other funds	15,887,034	-	201,104
Due from other governments	19,726,775	30,388,550	1,624,371
Prepayments and deposits	1,174,571	6,149	-
Inventories at cost	-	-	692,803
Total assets	<u>\$ 163,548,346</u>	<u>\$ 30,456,906</u>	<u>\$ 2,572,747</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 46,779,878	\$ 5,880,424	\$ 797,074
Due to other funds	22,579,171	15,844,012	-
Due to other governments	1,284,885	1,552,435	1,206
Due to retirement systems	27,081,837	5,084,980	252,418
Unearned revenues	4,270	2,095,055	-
Notes payable - BANS	-	-	-
Total liabilities	<u>97,730,041</u>	<u>30,456,906</u>	<u>1,050,698</u>
Fund balances:			
Nonspendable			
Inventory	-	-	692,803
Prepayments	1,139,063	-	-
Restricted For			
Debt service	5,573,029	-	-
Revolving loan program	-	-	-
Committed For			
Insurance claims	1,000,000	-	-
Workers' compensation	5,000,000	-	-
OPEB	20,889,758	-	-
Revolving loan program	-	-	-
Assigned For			
Subsequent year's expenditures	17,500,000	-	-
Facilities modernization local share	2,000,000	-	-
Health insurance	3,900,000	-	-
Instructional support	110,765	-	-
General support	62,783	-	-
Student transportation	21,000	-	-
School food service	-	-	829,246
Unassigned	8,621,907	-	-
Total fund balance	<u>65,818,305</u>	<u>-</u>	<u>1,522,049</u>
Total liabilities and fund balances	<u>\$ 163,548,346</u>	<u>\$ 30,456,906</u>	<u>\$ 2,572,747</u>

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

Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ -	\$ 119,497,076
-	16,910,475	22,483,504
-	2,920	1,809,457
13,963,427	-	30,051,565
226,995	-	51,966,691
-	5,433	1,186,153
-	-	692,803
<u>\$ 14,190,422</u>	<u>\$ 16,918,828</u>	<u>\$ 227,687,249</u>

\$ 1,796,754	\$ 12,430,829	\$ 67,684,959
-	128,893	38,552,076
-	-	2,838,526
32,454	-	32,451,689
-	-	2,099,325
31,566,000	32,000,000	63,566,000
<u>33,395,208</u>	<u>44,559,722</u>	<u>207,192,575</u>

-	-	692,803
-	5,433	1,144,496
-	-	5,573,029
-	100,024	100,024
-	-	1,000,000
-	-	5,000,000
-	-	20,889,758
-	150,000	150,000
-	-	17,500,000
-	-	2,000,000
-	-	3,900,000
-	-	110,765
-	-	62,783
-	-	21,000
-	-	829,246
(19,204,786)	(27,896,351)	(38,479,230)
(19,204,786)	(27,640,894)	20,494,674
<u>\$ 14,190,422</u>	<u>\$ 16,918,828</u>	<u>\$ 227,687,249</u>

**ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017**

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

Total fund balances	\$ 20,494,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	550,314,843
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	70,554,206
Deferred charges on refunding net of amortization are not available resources and, therefore, are not reported in the funds.	1,702,704
Long-term receivables are not collectible in the current period and, therefore, not reported in the funds.	500,000
Long-term liabilities, including bonds and retainages payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(648,172,282)
Pension liabilities [(ERS \$21,374,772), (TRS \$17,691,830)] are not due and payable in the current period and, therefore, are not reported in the funds.	(39,066,602)
Deferred outflows and inflows related to pension plans are not due and payable in the current period and, therefore, are not reported in the funds.	180,203,139
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(4,185,285)
Deferred amounts related to pension deferrals payable in future years are not a use of current resources and therefore, are not reported in the funds.	(17,426,162)
Premium associated with issuance of bonds are a liability in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(36,323,910)
Net position of governmental activities	<u>\$ 78,595,325</u>

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

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**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(continued next page)

	General	Special Aid
Revenues		
Local sources:		
Use of money and property (interest and rent)	\$ 506,392	\$ -
Intergovernmental	119,100,000	-
Other	9,547,165	2,754,178
State sources	570,312,469	65,623,821
Federal sources	4,623,637	48,814,236
Surplus food	-	-
Sales	-	-
Total revenues	<u>704,089,663</u>	<u>117,192,235</u>
Expenditures		
Current:		
General Support:		
Staff	8,066,322	-
Central services	49,440,019	73,412
Other	11,174,190	2,791,488
Instructional:		
Teaching - regular school	252,715,396	33,732,670
Special apportionment programs	137,165,215	19,091,544
Other	109,440,044	58,820,370
Pupil transportation	74,301,368	2,279,227
Community services	840,060	1,548,203
Cost of sales	-	-
Debt service:		
Principal	3,414,878	-
Interest	588,671	-
Bond issue costs	-	-
Capital outlay	-	-
Total expenditures	<u>647,146,163</u>	<u>118,336,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,943,500</u>	<u>(1,144,679)</u>
Other Financing Sources (Uses)		
Refunding bonds issued	-	-
Premium on refunding bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Net premium on debt issuance	-	-
Bond anticipation notes redeemed from appropriations	-	-
Transfers in	671,528	1,144,679
Transfers out	(62,626,741)	-
Total other financing sources (uses)	<u>(61,955,213)</u>	<u>1,144,679</u>
Net change in fund balances	<u>(5,011,713)</u>	<u>-</u>
Fund balances - beginning	70,830,018	-
Fund balances - ending	<u>\$ 65,818,305</u>	<u>\$ -</u>

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

School Food Service	Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ 418,917	\$ -	\$ 44,038	\$ 969,347
-	-	857,026	-	119,957,026
175,541	-	200,000	311,111	12,987,995
539,065	-	-	-	636,475,355
20,996,904	-	-	-	74,434,777
1,536,902	-	-	-	1,536,902
126,639	-	-	-	126,639
<u>23,375,051</u>	<u>418,917</u>	<u>1,057,026</u>	<u>355,149</u>	<u>846,488,041</u>
-	-	-	-	8,066,322
-	-	-	16,744	49,530,175
12,871,438	-	-	-	26,837,116
-	-	-	-	286,448,066
-	-	-	-	156,256,759
-	-	-	-	168,260,414
-	-	-	-	76,580,595
-	-	-	-	2,388,263
10,122,887	-	-	-	10,122,887
-	37,150,999	-	-	40,565,877
-	17,848,731	-	-	18,437,402
-	109,618	-	-	109,618
-	-	28,758,561	41,112,601	69,871,162
<u>22,994,325</u>	<u>55,109,348</u>	<u>28,758,561</u>	<u>41,129,345</u>	<u>913,474,656</u>
<u>380,726</u>	<u>(54,690,431)</u>	<u>(27,701,535)</u>	<u>(40,774,196)</u>	<u>(66,986,615)</u>
-	17,271,400	-	-	17,271,400
-	2,049,053	-	-	2,049,053
-	(15,665,000)	-	-	(15,665,000)
-	-	-	269,760	269,760
-	-	435,000	-	435,000
-	51,482,062	10,000,000	-	63,298,269
-	(447,084)	-	(224,444)	(63,298,269)
	<u>54,690,431</u>	<u>10,435,000</u>	<u>45,316</u>	<u>4,360,213</u>
380,726	-	(17,266,535)	(40,728,880)	(62,626,402)
1,141,323	-	(1,938,251)	13,087,986	83,121,076
<u>\$ 1,522,049</u>	<u>\$ -</u>	<u>\$ (19,204,786)</u>	<u>\$ (27,640,894)</u>	<u>\$ 20,494,674</u>

**ROCHESTER CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances -- total governmental funds	\$ (62,626,402)
Proceeds from long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.	(17,271,400)
Amortization recorded in the statement of activities that does not use current financial resources is not reported as an expenditure in the funds.	242,048
Decrease in receivables recorded in the statement of activities that will not be collected in the current financial period are not recorded in the funds.	(3,724,536)
Debt service principal is recorded as an expenditure for governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.	56,334,988
Financing of retirement expenses are long term obligations recorded in the statement of activities but not in the statement of revenue, expenditures and changes in fund balance (ERS \$500,942, TRS \$1,767,380)	2,268,322
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 postemployment benefits, claims payable and compensated absences are recorded in the statement of net position.	(27,719,450)
Capital projects expenditures for construction in progress are recorded in funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	59,502,328
Capital projects expenditures for capital assets and certain equipment and building improvements are recorded in funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	148,320
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(32,717,737)
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.	5,262,295
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(5,821,157)
Decrease in retainages recorded in the statement of activities and do not use current financial resources are not reported as an expenditure in the funds.	692,727
Increase in proportionate share of net pension asset (liability) reported in the statement of net position do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. [ERS \$16,176,535, TRS (\$190,489,468)]	(174,312,933)
Increase in proportionate share of net deferred inflow and outflow reported in the statement of net position for the difference during the measurement period between the District's contributions and its proportionate share of the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds. [ERS (\$19,461,608), TRS \$190,982,635]	171,521,027
The net interest and premiums on bonds and notes is accrued in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	1,416,916
Changes in net position of governmental activities	<u>\$ (26,804,644)</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, 2017

	Agency Fund	Private Purpose Trust Fund
Assets		
Restricted Cash and Cash Equivalents	\$ 594,891	\$ 263,348
Due from Other Funds	8,438,698	61,813
Total Assets	\$ 9,033,589	\$ 325,161
 Liabilities and Net Position		
Accrued Liabilities	\$ 6,617,033	\$ -
Accounts Payable	-	959
Due to Student Groups	126,330	-
Due to Retirement Systems	2,290,226	-
Total Liabilities	9,033,589	959
 Net Position		
Held in Trust for Scholarships and Awards	-	324,202
Total Liabilities and Net Position	\$ 9,033,589	\$ 325,161

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, 2017**

	Private Purpose Trust Fund
Additions:	
Interest	\$ 227
Scholarships	41,500
Gifts and Donations	21,050
Total additions	<u>62,777</u>
Deductions:	
Scholarships	33,756
Gifts and Donations	15,372
Total deductions	<u>49,128</u>
Change in Net Position	13,649
Net Position - Beginning	<u>310,553</u>
Net Position - Ending	<u><u>\$ 324,202</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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of Education of the District operates the public schools in the City of Rochester, New York (the City). The members of the District's Board of Education are elected by popular vote. The District has no independent power to contract bonded indebtedness or to levy taxes. Although a separately elected Board of Education governs the operations of the District, the City of Rochester Charter states that the budget of the District must be approved by the City. The City Charter outlines how the allocation of revenues and debt-incurring power between the City and the District will be conducted. As a result of the City Charter provisions, the District is fiscally dependent upon the City. The City is financially accountable for the District. These financial statements are the result of the District's financial operations for fiscal year July 1, 2016 to June 30, 2017. Of these financial statements, the Statement of Net Position and Statement of Activities are included in the City's financial report, the reporting entity, as a discretely presented component unit.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

reconstruction, or rehabilitation of existing school buildings for their continued use as schools by the District. Statements of RJSCB can be obtained from the RJSCB's Executive Director, located at 70 Carlson Road, Suite 200, Rochester, New York 14610.

B. Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenues are reported instead as general revenues.

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

C. Fund Financial Statements

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

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

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

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

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

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

Rochester Joint Schools Construction Board (RJSCB) Fund – This fund is used to record the transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The RJSCB is authorized to act as an agent to enter into contracts on behalf of the Board of Education in accordance with applicable state and local laws.

The District also reports fiduciary funds in its financial statements in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

government-wide financial statements, because their resources are not the property of the District, and are not available to be used. The fiduciary funds are as follows:

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

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

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

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the agency fund, which has no measurement focus, but does employ the accrual basis of accounting for purposes of asset and liability recognition. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

E. Assets, Liabilities, and Net Position or Fund Balance

1. Deposits and Investments

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions. As such, investment income of \$418,917 for fiscal year 2016-17, associated with the Capital Projects Fund, was assigned to the Debt Service Fund.

2. Restricted Assets

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

3. Accounts Receivable

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

4. Interfund Transactions

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

5. Inventories

Inventories of food and supplies in the School Food Service fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in the School Food Service fund are accounted for using the purchases method which records expenditures at the time of purchase. The School Food Service fund recorded \$692,803 in inventory at June 30, 2017. This inventory is classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

6. Capital Assets

Capital assets, which include property, buildings, building improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$4,999 and an estimated useful life in

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

excess of one year. Such assets are recorded at historical cost or fair value if donated. Any donated capital assets, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Only equipment, new construction, renovations or major additions to buildings are capitalized. All costs of maintenance and repairs are considered as not adding to the value of the asset or materially extending asset lives and are therefore not capitalized. Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

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

7. Prepayments and Deposits

The District utilizes the consumption method to record prepaid expenditures. As of June 30, 2017, the General fund recorded prepaid expenditures in the amount of \$1,139,063 for self-insured health insurance administrative and stop loss fees, health insurance, dues and memberships, and travel reservations. An amount of \$35,508 was also recorded in the General fund as a cash deposit to cover the processing of dental insurance claims. Additionally, prepayments of \$6,149 for travel expenses were recorded in the Special Aid fund, and \$5,433 recorded in the RJSCB fund was primarily for prepaid insurance. These prepayments will be recorded as expenditures during fiscal year 2017-18. Prepayments are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other items are related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension outflows.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category; the deferred inflow related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension inflows.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. Unearned Revenue

The District received cash in advance of expenditures in the amount of \$4,270 in the General fund at June 30, 2017 for lease prepayments associated with the utilization of the Pleasant St. parking lot. The District also received cash in advance of expenditures in the amount of \$2,095,055 for Special Aid fund projects during fiscal year 2016-17. These funds represent receipts for various grants that were not fully spent as of June 30, 2017. As the funds are spent during fiscal year 2017-18, revenue will be recorded.

10. Vested Employee Benefits

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees do not receive a payment for any unused, accumulated sick leave as part of their final payroll.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

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

It is the District's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued and it is based on past employee service and current pay rates in effect at the end of the fiscal year. All vacation pay is accrued when incurred in the fund basis and government-wide financial statements. A current liability of \$1,773,080 and a non-current liability of \$2,827,047 have been recorded on the Statement of Net Position for estimated vacation expense incurred by not paid during 2016-17.

11. Other Benefits/Postemployment 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 postemployment 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 postretirement 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.

The District provides postemployment 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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 postemployment benefits, see Note V. C. of this report.

12. Long-term Obligations

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

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

13. Fund Equity

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

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

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy that the District’s Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

Fund Statements - In the fund statements there are five classes of fund balance:

Nonspendable fund balance – Includes amounts that cannot be spent because it is either not in spendable form or is legally or contractually required to remain intact.

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

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

authority. Formal action via adopted Board Resolution initiated by the Board of Education is required to establish, modify or rescind fund commitments.

Assigned – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balances of the General fund are classified as assigned fund balance. Under the District’s Fund Balance Policy No. 600, adopted on August 25, 2011, the Superintendent and the Chief Financial Officer of the District as the Superintendent’s designee, were delegated the authority to assign amounts to a specific purpose during the 2016-17 financial reporting period.

Unassigned – Includes all other General fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District or deficit fund balance in funds other than the General fund.

The District shall maintain a minimum unrestricted General fund balance between 5% to 15% of the General fund annual operating expenditures. Expenditures are to be spent from restricted fund balance first and then from unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

14. Encumbrances

The District maintains existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for construction related goods and services. As of June 30, 2017, the District has \$194,548 in General fund encumbrances.

F. Use of Estimates

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

G. Subsequent Events

As part of the District’s ongoing capital improvement program, the City of Rochester (City) issued new Bond Anticipation Notes (BANs) in the amount of \$19,117,000 and BAN renewals in the amount of \$28,641,000 on behalf of the District on August 4, 2017. These BANs will be used to pay for construction improvements in association with the District’s annual capital improvement program (CIP).

The “Series 2017 Bonds”, totaling \$123,670,000 million, were issued on behalf of the Rochester Joint School Construction Board (RJSCB) on August 1, 2017 for Phase II financing of the Rochester School Facilities Modernization Program (FMP). Phase II of the FMP consists of the acquisition, renovation, reconstruction, improvement, equipping and furnishing of up to 26 projects at a total cost not to exceed \$435 million. It is expected that additional series of bonds will be issued to finance additional costs of Phase II of the FMP in future years.

These financial statements have not been updated for subsequent events occurring after November 15, 2017 which is the date these financial statements were made available to be issued.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

II. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the Government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds and retainages payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$648,172,282) difference are as follows:

Bonds payable	\$ (349,605,401)
Compensated absences	(2,827,047)
Other post-employment benefits	(256,279,110)
Contractual obligations	(1,157,695)
Due to other governments	(12,000,000)
Claims payable	(25,070,706)
Retainages payable	<u>(1,232,323)</u>
	<u>\$ (648,172,282)</u>

B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Governmental Activities.

One element of that reconciliation states that, “Debt service principal is recorded as an expenditure for the governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.” Details of this \$56,334,988 difference are as follows:

Bond principal payments	\$ 52,815,999
Contractual obligation principal payments	<u>3,518,989</u>
	<u>\$ 56,334,988</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 (\$27,719,450) difference are as follows:

Claims payable	\$ (860,732)
Other post-employment benefits	(25,699,787)
Compensated absences	<u>(1,158,931)</u>
	<u>\$ (27,719,450)</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgeting Policy

The budget of the District allocates resources to meet the District's commitment to educational excellence for all students. The budget period for fiscal year 2016-17 began on July 1, 2016 and ended on June 30, 2017. By City Charter, the Board of Education must submit a balanced budget to the Mayor and City Council for approval. The budget, which includes the General, Special Aid, Debt Service, and School Food Service funds, is prepared on a modified accrual, non-GAAP budget basis and is the only legally adopted annual budget of the District. The reason the budget is prepared on a non-GAAP budget basis is the inclusion of encumbrances as expenditures. Reconciliation of non-GAAP basis budget and actual financial figures is presented in the individual Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for General, Special Aid, and School Food Service Fund Types, non-GAAP Budget Basis.

The “basis of accounting” determines when a transaction or event is recognized in a fund's operating statement. The accounts 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 their budget recommendations for the Board of Education's consideration in April. The Board reviews the Superintendent's Proposed Budget, modifies or directs changes to be made, conducts a public hearing, and adopts the Budget for submission to the Mayor.

Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund's unappropriated fund balance. The Board of Education authorizes management to make transfers between the various budgetary line items in any fund within the fund level.

Amendments to the originally adopted budget, which exceed the legal spending control, would require approval from the Board of Education. Amendments to the originally adopted budget, not exceeding the legal spending control, may also be approved by the Board of Education. The budgetary data presented in the financial statements reflects all approved budget transfers and budget amendments. The approved budget amendments totaled (\$11,954,684) for the General Fund and \$1,840,219 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.

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$594,891 reported in the Agency fund restricted for extraclassroom activities and flexible spending withholdings, \$16,910,475 reported in the RJSCB fund primarily comprised of unexpended bond proceeds, \$5,573,029 reported in the General fund for funds held in trust for future debt payments, and \$263,348 reported in the Private Purpose Trust fund for scholarships and awards.

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

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

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

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

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

Cash - At year end, the District’s cash was \$77,569,913. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

Cash Equivalents - At year-end, the District had cash equivalents in the form of money markets at fair value of \$65,268,906. Cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

Investments - At year-end, the District had no investments.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

B. Receivables

As of year ended June 30, 2017, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>RJSCB</u>	<u>Total</u>
\$1,705,656	\$62,207	\$38,674	\$2,920	\$1,809,457

The General fund receivable primarily represents funds due to the District for facilities rental, utility reimbursements due the District from external parties utilizing various District properties, stop loss and prescription reimbursements associated with the District's self-funded healthcare, and reimbursements for union release time. The Special Aid fund receivable represents accrued revenues for locally funded grants. The School Food Service fund receivable represents primarily outstanding food rebates, catering services and amounts due from Charter Schools for meals served during fiscal 2016-17. The RJSCB fund receivable was for interest earnings.

An amount of \$500,000 that management anticipates collection of in more than one year was recorded in the government-wide financial statements. This amount relates to the reimbursement of various items such as food commodity processing costs, trash hauling and equipment purchase reimbursements in accordance with the contractual provisions of a former food service management company which the District utilized during the fiscal years of 2009-10 through part of 2014-15.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 17,349,160	\$ -	\$ -	\$ 17,349,160
Construction in Progress	62,726,842	59,502,328	51,674,964	70,554,206
Total capital assets not being depreciated	<u>80,076,002</u>	<u>59,502,328</u>	<u>51,674,964</u>	<u>87,903,366</u>
Capital assets being depreciated:				
Buildings & Improvements	810,135,485	48,479,621	2,147,554	856,467,552
Equipment & Other	55,554,037	3,343,663	3,673,603	55,224,097
Total capital assets being depreciated	<u>865,689,522</u>	<u>51,823,284</u>	<u>5,821,157</u>	<u>911,691,649</u>
Less accumulated depreciation for:				
Buildings & Improvements	(307,532,450)	(28,713,680)	(1,619,039)	(334,627,091)
Equipment & Other	(43,738,074)	(4,004,057)	(3,643,256)	(44,098,875)
Total accumulated depreciation	<u>(351,270,524)</u>	<u>(32,717,737)</u>	<u>(5,262,295)</u>	<u>(378,725,966)</u>
Total capital assets being depreciated, net	<u>514,418,998</u>	<u>19,105,547</u>	<u>558,862</u>	<u>532,965,683</u>
District capital assets, net	<u>\$ 594,495,000</u>	<u>\$ 78,607,875</u>	<u>\$ 52,233,826</u>	<u>\$ 620,869,049</u>

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

Instructional teaching regular school	\$ 28,393,837
General support central services	3,715,734
Pupil transportation	549,553
Community services	58,613
	<u>\$ 32,717,737</u>

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. Significant Construction Commitments

The District, along with the RJSCB, capitalized \$59,650,648 of assets during fiscal year 2016-17. These disbursements were for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$143.2 million will be disbursed by the District and \$419.9 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

2. Asset Impairment and Insurance Recoveries

During fiscal year 2016-17, the District had no material asset impairments or insurance recoveries.

3. Accounting and Financial Reporting for Intangible Assets

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

D. Interfund Receivables, Payables, and Transfers

1. Interfund Receivables and Payables

The interfund receivables and payables result primarily from using a consolidated cash account and processing reimbursements. These interfund receivables and payables are short-term and are typically repaid in less than one year. The following schedule summarizes interfund receivables and payables at June 30, 2017.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 15,887,034	\$ 22,579,171
Special Aid	-	15,844,012
School Food Service	201,104	-
Capital Projects	13,963,427	-
RJSCB	-	128,893
Private Purpose Trust	61,813	-
Agency	8,438,698	-
Total	<u>\$ 38,552,076</u>	<u>\$ 38,552,076</u>

2. Interfund Transfers

Transfers are a routine annual event for both the budget and accounting process. Such transfers facilitate annual contributions from operating budgets for debt service and capital projects. The following schedule summarizes interfund transfers at June 30, 2017.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 671,528	\$ 62,626,741
Special Aid	1,144,679	-
Debt Service	51,482,062	447,084
Capital Projects	10,000,000	-
RJSCB	-	224,444
Total	<u>\$ 63,298,269</u>	<u>\$ 63,298,269</u>

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. Due from Other Governments

As of year ended June 30, 2017, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

Fund	Local Governments	State Government	Federal Government	Total
General	\$ 3,957,852	\$ 14,902,879	\$ 866,044	\$ 19,726,775
Special Aid	2,851,631	21,100,366	6,436,553	30,388,550
School Food Service	23,256	39,298	1,561,817	1,624,371
Capital Projects	226,995	-	-	226,995
Total	\$ 7,059,734	\$ 36,042,543	\$ 8,864,414	\$ 51,966,691

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 2016-17 for operating leases was approximately \$411,000 and \$3.3 million, respectively, not including NYS lease aid.

The following is a schedule of the total future minimum rental commitments required under operating leases as of June 30, 2017:

Fiscal Year	Receipts	Payments
2017-18	\$ 388,250	\$ 2,265,857
2018-19	388,250	2,320,007
2019-20	388,250	2,322,281
2020-21	32,000	2,330,146
2021-22	32,000	2,332,437
	\$ 1,228,750	\$ 11,570,728

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

G. Short-Term Debt

All short-term debt was in the form of bond anticipation notes (BANs), which were used to provide funding for various capital construction and improvement projects. The amounts issued during fiscal 2016-17 are accounted for in the Capital fund. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid.

The schedule below details the changes in short-term debt for the year ended June 30, 2017:

	Balance June 30, 2016	Issues	Redeemed	Balance June 30, 2017
BANs (District)	\$ 18,000,000	\$ 14,001,000	\$ 435,000	\$ 31,566,000
BANs (JSCB)	-	32,000,000	-	32,000,000
	\$ 18,000,000	\$ 46,001,000	\$ 435,000	\$ 63,566,000

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

H. Long-Term Debt

The District's General fund is used to liquidate all long-term liabilities, as well as debt related liabilities. The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2017:

	Balance June 30, 2016	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 1,668,116	\$ 7,242,039	\$ 6,083,108	\$ 2,827,047	\$ 2,827,047
Claims Payable	24,209,974	5,208,042	4,347,310	25,070,706	5,510,897
Other Post Employment Benefits	230,579,323	47,306,207	21,606,420	256,279,110	-
Due to Other Governments -					
NYS Lottery Advance	12,666,667	-	666,667	12,000,000	666,666
NYS ERS Loan Payable	5,329,055	-	500,942	4,828,113	516,813
NYS TRS Loan Payable	14,365,429	450,203	2,217,583	12,598,049	2,350,188
Net Pension Liabilities *	(135,246,331)	174,312,933	-	39,066,602	-
Installment Purchase Debt	4,010,017	-	2,852,322	1,157,695	717,177
General Obligation Bonds -					
District Serial Bonds	139,270,000	17,271,400	38,520,999	118,020,401	18,983,799
Premium	29,308,628	-	2,148,168	27,160,460	2,148,168
School Facilities Revenue Bonds-					
FMP Serial Bonds	245,880,000	-	14,295,000	231,585,000	15,025,000
Premium	8,171,437	2,049,053	1,057,040	9,163,450	1,057,040
Total Long Term Liabilities	<u>\$ 580,212,315</u>	<u>\$ 253,839,877</u>	<u>\$ 94,295,559</u>	<u>\$ 739,756,633</u>	<u>\$ 49,802,795</u>

*Additions to net pension liabilities are presented net of reductions

Compensated absences paid in fiscal year 2016-17 totaled approximately \$7.1 million, excluding payroll taxes. This amount is reflected in maturities / reductions along with any balance remaining from fiscal year 2015-16. The new issues / additions reflect the new long-term liability at June 30, 2017. The General fund is typically used to liquidate all long-term liabilities, as well as debt related liabilities. The schedule below presents the changes in estimated workers' compensation, which are included in claims payable.

	Workers' Compensation
Estimated claims June 30, 2015	\$ 23,598,376
Additions 2015-16	5,471,343
Payments 2015-16	4,859,745
Estimated claims June 30, 2016	<u>24,209,974</u>
Additions 2016-17	5,208,042
Payments 2016-17	4,347,310
Estimated claims June 30, 2017	<u>\$ 25,070,706</u>

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

During fiscal 2004-05, the SED issued an advance of lottery revenues in the amount of \$20,000,000 as part of a special legislative initiative to assist with budget constraints. These funds will be repaid over 30 years at 0% interest. The repayments began in fiscal 2005-06 and are recorded as annual deductions to state aid revenue.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

In an effort to manage steeply rising pension costs in recent years, the District elected to participate in the ERS and TRS Contribution Stabilization Programs (“pension smoothing programs”), which enabled the District to defer a portion of their required contributions for repayment in future years. However, due to favorable plan rates in more recent years, the District opted out of the TRS pension smoothing program. As a result, a loan payable of \$12.6 million at June 30, 2017 will be repaid in 5 annual installments of \$2.7 million beginning in 2017-18, including interest costs totaling approximately \$1.0 million.

As part of a similar ERS pension deferral program which the District also opted out of, loans payable totaling \$4.8 million at June 30, 2017 will be repaid in 10 annual installments of \$0.7 million which began in 2015-16. Total interest costs over the life of the loans are projected to be approximately \$1.0 million, with an amount of interest outstanding of \$0.7 million at June 30, 2017.

Historically, the District held various installment purchase agreements with Xerox Corporation for purchasing copiers and printers over a 60-month term or until the equipment was retired from service. During 2016-17, the District entered into a new agreement with Toshiba, whereby the District purchases its copiers out-right instead. As of June 30, 2017, the vast majority of Xerox machines had been retired and replaced with Toshiba machines. The outstanding amount of debt at June 30, 2017 for Xerox machines still in service was \$73,679.

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. Final payment for Phase 1 was made during 2016-17 and a final payment for Phase 2 of approximately \$1.0 million will be made during fiscal 2018-19.

General obligation bonds are direct obligations for which the full faith and credit of the City are pledged. Bonds are generally issued as serial bonds for the period equivalent to one-half of the period of probable usefulness for each improvement as defined by New York State Local Finance Law. Interest rates range from 0.00% to 5.11%. The original amounts of these general obligation bonds outstanding at June 30, 2017 are as follows:

Series	Issue Amount	Maturity Date	2016-17 Interest Rate	Series	Issue Amount	Maturity Date	2016-17 Interest Rate
RCSD				JSCB			
2008B	10,797,000	10/01/26	3.50	2012A	66,190,000	05/01/22	5.00
2009C1	58,470,000	02/10/24	5.11	2012B	57,910,000	05/01/28	-
2009C2	1,710,000	02/10/19	-	2013A	103,055,000	05/01/30	5.00
2012 I	20,548,000	08/15/27	4.00	2015	44,225,000	05/01/31	5.00
2012 II	5,655,000	08/15/19	2.00				
2012 III	9,640,000	02/15/25	4.00				
2012 IV	7,525,000	10/15/21	3.00				
2012 V	14,965,000	02/15/22	4.00				
2013 II	27,015,000	02/01/29	5.00				
2015 I	18,880,000	08/01/30	4.00				

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

As of June 30, 2017 the District had \$26,334,000 of authorized but unissued debt. The debt contracting margin of the District as of June 30, 2017 was \$60,040,772.

As a result of federal stimulus legislation that was enacted in early 2009, Build America Bonds (BAB) were issued. These bonds offer municipalities a 35% federal subsidy on interest payments on those BABs that are taxable. These subsidies are scheduled to be paid semi-annually through February 2019. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, which is the amount outstanding at June 30, 2017. On March 1, 2013 “sequestration” was enacted in an effort to reduce federal spending. As a result, anticipated subsidies will be reduced by a percentage, as determined annually by the federal government. The District received its first subsidy of \$20,240 in August 2010, and semi-annual payments of \$16,192, less any amounts associated with federal sequestration legislation, thereafter.

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. \$19,460,000 of these bonds outstanding are considered defeased at June 30, 2017.

On August 4, 2016, the City of Rochester issued \$3,890,000 in general obligation bonds, of which \$2,703,190 were issued on behalf of the District, with an average interest rate of 4.12% to refund \$2,955,000 of outstanding Series 2006 B Series bonds with an average interest rate of 3.94%. The net proceeds of \$2,946,196 (after payment of \$17,343 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 at an unprecedented low. The District’s share of 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 \$257,746.

On August 4, 2016, the City of Rochester also issued \$16,310,000 in general obligation bonds, of which \$14,568,210 were issued on behalf of the District, with an average interest rate of 4.14% to advance refund \$15,665,000 of outstanding 2006 A Series bonds with an average interest rate of 4.00%. The net proceeds of \$16,157,292 (after payment of \$92,274 in underwriting fees, insurance and other issue 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, as 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 the debt is approximately \$1,578,600.

The District paid no arbitrage to the Federal Government during 2016-17. Arbitrage rebates pertain to tax-exempt bonds and certain profits earned by investing the proceeds of such tax-exempt bonds. Long-term indebtedness will be funded by the General fund.

2. The following long-term debt service requirements schedule is recorded at gross amounts (000’s omitted) for District and RJSCB Serial Bond payments outstanding as of June 30, 2017:

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Fiscal Year Ending June 30	District Principal	District Interest	JSCB Principal	JSCB Interest	Total
2018	\$ 18,984	\$ 4,797	\$ 15,025	\$ 11,102	\$ 49,908
2019	17,836	3,954	15,800	10,351	47,941
2020	17,131	3,144	16,610	9,561	46,446
2021	15,700	2,361	17,460	8,730	44,251
2022	11,715	1,683	18,240	7,857	39,495
2023-27	29,520	3,331	99,785	30,412	163,048
2028-32	7,135	364	48,665	6,234	62,398
	<u>\$ 118,021</u>	<u>\$ 19,634</u>	<u>\$ 231,585</u>	<u>\$ 84,247</u>	<u>\$ 453,487</u>

I. Bond Anticipation Notes (BANs)

It has been the District's practice to fund capital projects for up to five years with BANs. BANs are converted to bonds when the final project costs are known and when long-term rates are most favorable, a strategy which minimizes the District's interest costs. The District had a BANs outstanding at June 30, 2017 in the amount of \$63,566,000, of which \$31,566,000 is associated with the District and \$32,000,000 is associated with the JSCB.

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. A current liability of \$3,570,200 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2016-17.

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

The District uses the general fund to account for its current risk financing activities. The District has not had any material insurance settlements that were not covered by the District's insurance coverages over the past three years. Immaterial insurance losses that may not be covered by the District's insurance coverage would be covered through the District's operating budget.

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The schedule below presents the calculation of the District's estimated claims at June 30, 2017 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board and the estimated claims for health insurance represent claims incurred during 2016-17 that are expected to be paid within the subsequent fiscal year.

	Workers' Compensation	Health Insurance
Estimated claims July 1, 2015	\$ 5,475,626	\$ 3,898,290
Claims incurred 2015-16	5,188,658	75,218,986
Payments and reductions 2015-16	4,859,745	74,971,356
Estimated claims June 30, 2016	\$ 5,804,539	\$ 4,145,920
Estimated claims July 1, 2016	\$ 5,804,539	\$ 4,145,920
Claims incurred 2016-17	4,686,519	78,050,599
Payments and reductions 2016-17	4,980,161	78,626,319
Estimated claims June 30, 2017	\$ 5,510,897	\$ 3,570,200

A current liability of \$5,510,897 and a non-current liability of \$19,559,809 for estimated future claims for the self-insured workers' compensation program have been recorded on the Statement of Net Position.

The District has been self-insured since 1978 for workers' compensation. This program is managed by a third party administrator. The District does not purchase stop loss insurance for this, so it is at full risk for all claim payments. While the District budgets annually for workers' compensation claims, the District has also committed \$5,000,000 of its fund balance for this purpose, which represents approximately 20.0% of the estimated total claims liability.

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

B. Pension Obligations

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

1. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS), a cost-sharing, multiple employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under

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New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

2. Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

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

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset liability was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension liability

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used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>	<u>TRS</u>
Measurement date	03/31/2017	06/30/2016
Net pension liability	\$ (21,374,772)	\$ (17,691,830)
District's portion of the Plan's total net pension liability	0.2274826%	1.651834%
Change in proportionate share since prior measurement date	0.0064784	-0.011791

For the year ended June 30, 2017, the District recognized pension expenses of \$29,643,807, for TRS and \$13,720,946 for ERS, net of deferrals. At June 30, 2017, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 535,632	\$ -	\$ 3,245,881	\$ 5,747,298
Changes of assumptions	7,302,405	100,783,929	-	-
Net difference between projected and actual earnings on pension plan investments	4,269,408	39,780,537	-	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	2,401,815	2,493,804	275,856	542,115
Total	<u>\$ 14,509,260</u>	<u>\$ 143,058,270</u>	<u>\$ 3,521,737</u>	<u>\$ 6,289,413</u>
District's contributions subsequent to the measurement date	\$ 2,424,231	\$ 30,022,528	\$ -	\$ -

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>Year Ended</u>	<u>TRS</u>
3/31/2018	\$ 4,783,526	6/30/2018	\$ 12,577,270
3/31/2019	4,783,526	6/30/2019	12,577,270
3/31/2020	4,094,973	6/30/2020	43,471,934
3/31/2021	(2,674,501)	6/30/2021	33,859,705
3/31/2022	-	6/30/2022	15,676,410
Thereafter	-	Thereafter	18,606,268

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4. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	03/31/17	06/30/16
Actuarial valuation date	04/01/16	06/30/15
Interest rate	7.0%	7.5%
Salary scale	3.8%	1.9% - 4.7%
Decrement tables	04/01/10 - 03/31/15	07/01/09 - 06/30/14
	System's experience	System's experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return. Expected future real rates of return are weighted by each of the target asset allocation percentages, and then expected inflation is added. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Measurement Date			3/31/2017	6/30/2016
Asset Class:				
Domestic equities	36.0%	37.0%	4.6%	6.1%
International equities	14.0	18.0	6.4	7.3
Private equity	10.0	-	7.8	-
Real estate	10.0	10.0	5.8	5.4
Alternative investments	-	7.0	-	9.2
Absolute return strategies	2.0	20.0	4.0	1.9
Opportunistic portfolio	3.0	-	5.9	-
Real assets	3.0	-	5.5	-
Bond and mortgages	17.0	8.0	1.3	3.1
Cash	1.0	-	(0.3)	-
Inflation-indexed bonds	4.0	-	1.5	-
Total	<u>100.0%</u>	<u>100.0%</u>		

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5. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.5% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.0% for ERS and 6.5% for TRS) or one percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset/(liability)	\$ (68,266,788)	\$ (21,374,772)	\$ 18,272,339

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension asset/(liability)	\$ (230,830,137)	\$ (17,691,830)	\$ 161,077,409

7. Pension Plan Fiduciary Net Position

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

	ERS	TRS (\$000s)	Total
Measurement date	03/31/17	06/30/16	
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184	\$ 285,977,770
Plan net position	168,004,363	107,506,142	275,510,505
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 1,071,042</u>	<u>\$ 10,467,265</u>
Ratio of plan net position to the employers' total pension liability	94.7%	99.0%	

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based

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on ERS wages multiplied by the contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$2,424,231.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by a contribution rate of 11.72%, as calculated by the TRS as of the actuarially required rate. Employer accrued retirement contributions were \$30,022,528 and employee accrued retirement contributions were \$2,046,572 as of June 30, 2017. Because the District opted out of the TRS pension amortization program during 2016-17, it will repay prior year amortizations in five equal, annual installments. This first annual installment will be paid in the fall of 2017, concurrent with the retirement contributions. As of June 30, 2017, the total outstanding balance for TRS amortization repayments was \$12,598,049.

C. Postemployment Health Care Benefits

Plan Description

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

Funding Policy

Provided an employee has at least ten consecutive years of continuous employment with the District prior to the date of retirement, the employee is eligible for retiree health benefits. Per the various collective bargaining agreements, which are subject to future renegotiation, the District may pay the full cost of retiree health benefits for some retirees under 65 years of age. Other retirees, depending on date of hire, may contribute 15% towards their retiree benefits. Retirees who are under 65 years of age currently have two insurance plans from which to choose.

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 postemployment health care benefit on a pay-as-you-go basis. The expenditure recognized at June 30, 2017 for this purpose was \$21,606,420. The number of participants enrolled in the District's retirees' health insurance group was 4,344 retirees, excluding survivors, for which there is no cost to the District.

Annual OPEB Cost and Net OPEB Obligation

The annual other postemployment 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

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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 2016-17, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are:

Annual required contribution	\$	46,786,359
Interest on net OPEB obligation		9,223,173
Adjust to annual required contribution		(8,703,325)
Annual OPEB cost (expense)		47,306,207
Contributions made		(21,606,420)
Increase in net OPEB obligation		25,699,787
Net OPEB obligation - July 1, 2016		230,579,323
Net OPEB obligation - July 1, 2017	\$	256,279,110

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2016-17 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>
6/30/2017	\$ 47,306,207	45.7%	\$ 256,279,110
6/30/2016	44,974,558	49.0%	230,579,323
6/30/2015	36,635,030	56.7%	207,651,876

Funded Status and Funding Progress

Based on the most recent July 1, 2015 valuation report issued on August 26, 2016, with these results rolled forward to year end June 30, 2017, the OPEB plan was unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$544.4 million at June 30, 2017. 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. However, the District has opted to commit \$20,889,758 of its General fund balance for future OPEB costs as of June 30, 2017. 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 2016-17 who are eligible for postretirement benefits is \$307,748,163. The ratio of the unfunded actuarial accrued liability at June 30, 2017 to annual covered payroll for 2016-17 is 177%. A schedule of funding progress that presents multi-year information immediately follows the notes to the financial statements.

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

**ROCHESTER CITY SCHOOL DISTRICT
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Actuarial Methods and Assumptions

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

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

Medical Reimbursement Account

The District's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Subsidies for future years cannot be recognized as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for qualified retirees per the collective bargaining agreement between the District and Association of Supervisors and Administrators of Rochester for an attendance incentive. During fiscal year 2016-17, MRA claims totaling \$14,425 were paid by the District and at June 30, 2017, there were twenty-eight active participants.

D. The Rochester Joint Schools Construction Board

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

The Facilities Modernization Program (the "FMP") will be executed in three phases; the RJSCB has been charged with overseeing the FMP. The RJSCB has contracted with the Gilbane Building Co., partnering with Savin Engineers, as the Program Manager of Phase I of the FMP. Gilbane began work in July 2010 and is responsible for managing and administering program design and construction at the direction of the RJSCB. Phase I of the program is near completion and expected to total \$325.0 million in school renovation expenditures in up to thirteen bonded projects. Phase I is scheduled to be completed in the fall of 2017.

In December of 2014, the Governor of the State of New York signed legislation approving Phase II of the FMP. The RJSCB has since contracted with Savin Engineers, partnering with the Gilbane Building Co., as the Program Manager of Phase II of the FMP. Phase II authorizes up to twenty-six projects, including twenty-five buildings plus a District Wide Technology project, with a total value of \$435.0 million. The planning and development of a Phase II Master Plan has been completed and was approved by the State Comptroller's Office June 2017. This plan focused on a detailed

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evaluation of the District's entire portfolio of buildings including the following: building capacity, enrollment projections, infrastructure needs, pre-k availability, and other District priorities. The Master Plan provides the roadmap for Phase II projects. Although up to twenty-six projects have been authorized for Phase II, the RJSCB intends to further narrow the focus by undertaking thirteen projects for the design, reconstruction, or rehabilitation of existing school buildings and their District-Wide Technology improvements. The District has already authorized the initial planning and design of several projects for the first phase of the Phase II program. Initial construction has begun on the first group of Phase II projects to coincide with the timing of completion of Phase I.

Financing of RJSCB

The RJSCB completed its financing of the final portion of Phase I of the FMP in February of 2015 upon receipt of \$44.2 million in bond proceeds. These funds will be used for expenditures associated with the final three schools to be renovated in Phase I of the program. In August of 2016, the City issued a \$32.0 million bond anticipation note (BAN) on behalf of the District for the purpose of providing interim financing to the RJSCB for Phase II of the FMP. The BAN funds supported the planning and preliminary design costs associated with Phase II of the FMP program as well as the initial construction costs of the first approved Phase II project, Monroe High School. The first permanent Phase II bond financing for the RJSCB occurred in July of 2017. This first permanent Phase II bond financing, identified as "Phase IIA" financing, was in the amount of \$123.7 million. These bond proceeds will be used to repay the outstanding \$32.0 million BAN obligation, provide additional financing for the first Phase IIA construction projects, as well as to provide financing for the design work associated with the subsequent FMP Phase II construction projects.

E. Contingent Liabilities

The District is typically a respondent/defendant in various claims and lawsuits arising from alleged personal injuries, property damages, civil rights violations, employment/labor matters, and construction contract disputes. The number of such claims and lawsuits, from the Notice of Claim stage through the end of the appellate process, varies as new claims are served and other matters concluded by motion, judgment, settlement or expiration of the statute of limitations throughout the year. The final outcomes of these claims and lawsuits in a given year cannot be predicted with any degree of accuracy. A liability is reported in the financial statements in the amount of \$1,495,000 relative to nine separate cases that were pending as of June 30, 2017.

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, 2017, the District has encumbered approximately \$79,810 in asbestos abatement and air monitoring related contracts for active renovation projects. The District has evaluated and determined that there is no other specific pollution related obligations as of June 30, 2017. As a precaution, as of June 30, 2017 the District has encumbered an additional \$66,492 in funds which could be used for other pollution remediation obligations should the need arise. The District has also recorded \$17,709,140 in construction commitments for projects not yet completed.

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

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F. Related Party Transactions

The District receives certain services from vendors in which a board member(s) is a vested employee. These services amounted to approximately \$3.6 million for the year ended June 30, 2017 and included the Baden Street Settlement, Catholic Charities of the Diocese, Hillside, Ibero American Action League, Nazareth College, Rochester Area Community Foundation, the Rochester Museum and Science Center, and the University of Rochester. At June 30, 2017, the District had \$309,138 in outstanding accounts payable with Board affiliated organizations.

G. Calculation of Net Investment in Capital Assets

Capital assets		\$999,595,015
Less: Depreciation	\$378,725,966	
Related outstanding debt	<u>397,418,621</u>	
Net investment in capital assets		<u>\$223,450,428</u>

The related outstanding debt comprises the following:

Bonds payable	\$349,605,401
BANs payable	63,566,000
Installment purchase debt	<u>1,157,695</u>
	414,329,096
Less: Unspent proceeds	<u>(16,910,475)</u>
	<u>\$397,418,621</u>

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
NEW YORK STATE EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM PENSION PLANS
LAST TEN FISCAL YEARS**

EMPLOYEES' RETIREMENT PLAN:

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2007-08	\$ 5,094,288	\$ 2,094,288	\$ -	\$ 44,550,026	4.7%
2008-09	4,996,727	4,996,727	-	48,565,729	10.3
2009-10	8,308,166	8,308,166	-	51,461,674	16.1
2010-11	9,453,663	9,453,663	-	54,235,208	17.4
2011-12	13,183,427	13,183,427	-	57,271,384	23.0
2012-13	13,461,358	13,461,358	-	59,614,805	22.6
2013-14	13,111,553	9,230,734	3,880,819	63,887,220	14.4
2014-15	12,000,409	10,215,980	1,784,429	67,349,479	15.2
2015-16	11,038,633	11,038,633	-	71,202,250	15.5
2016-17	9,839,915	10,509,790	(669,875)	71,275,520	14.7

TEACHERS' RETIREMENT PLAN:

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2007-08	\$ 21,437,247	\$ 21,437,247	\$ -	\$ 186,171,300	11.5%
2008-09	20,105,226	20,105,226	-	207,893,624	9.7
2009-10	16,169,411	16,169,411	-	210,781,157	7.7
2010-11	21,183,244	21,183,244	-	216,993,530	9.8
2011-12	26,298,048	26,298,048	-	215,964,182	12.2
2012-13	27,910,410	27,910,410	-	220,616,307	12.7
2013-14	41,505,107	36,090,287	5,414,820	248,109,334	14.5
2014-15	43,807,308	35,310,739	8,496,569	253,838,859	13.9
2015-16	33,798,963	36,016,542	(2,217,579)	259,214,370	13.9
2016-17	30,022,528	30,022,528	-	258,258,210	11.6

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF RETIREMENT SYSTEM PENSION PLANS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ERS		
	2014-15	2015-16	2016-17
District's proportion of the net pension asset (liability)	0.237995%	0.233961%	0.227483%
District's proportionate share of the net pension asset (liability)	\$ (8,040,052)	\$ (37,551,307)	\$ (21,374,772)
District's covered-employee payroll	67,349,479	71,202,250	71,275,520
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	11.9%	52.7%	-30.0%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	90.7%	94.7%
	TRS		
	2014-15	2015-16	2016-17
District's proportion of the net pension asset (liability)	1.729107%	1.663625%	1.651834%
District's proportionate share of the net pension asset (liability)	\$ 192,611,736	\$ 172,797,638	\$ (17,691,830)
District's covered-employee payroll	248,109,334	253,838,859	259,214,370
District's proportionate share of the net pension asset (liability) as a percentage of its covered employee payroll	77.6%	68.1%	-6.8%
Plan fiduciary net position as a percentage of the total pension asset (liability)	111.5%	110.5%	99.0%

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

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Schedule of Funding Progress

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Actuarial accrued liability (AAL)	\$464,872,571	\$529,102,205	\$544,416,044
Actuarial value of assets	-	-	-
Unfunded AAL (UAAL)	<u>\$464,872,571</u>	<u>\$529,102,205</u>	<u>\$544,416,044</u>
Funded ratio	0%	0%	0%
Covered payroll	\$ 296,221,634	\$ 293,894,921	\$ 307,748,163
UAAL as a percentage of covered payroll	156.93%	180.03%	176.90%

Schedule of Employer Contributions

<u>Fiscal Year</u> <u>Ended</u>	<u>Employer Contribution</u>
6/30/2017	\$ 21,606,420
6/30/2016	\$ 22,047,111
6/30/2015	\$ 20,755,916

**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, 2017**

	General Fund			
	Budgeted Amounts			Variance With
	Original Budget	Final Budget	Actual	
REVENUES				
Local Sources:				
Use of Money and Property	\$ 350,000	\$ 350,000	\$ 506,392	\$ 156,392
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Other	6,436,913	6,436,913	9,547,165	3,110,252
State Sources	581,239,886	569,073,201	570,312,469	1,239,268
Federal Sources	2,100,000	2,100,000	4,623,637	2,523,637
Total Revenues	709,226,799	697,060,114	704,089,663	7,029,549
EXPENDITURES				
Current:				
General Support:				
Staff	6,330,108	6,524,773	6,343,245	181,528
Central Services	37,971,933	40,192,534	39,798,957	393,577
Other	7,537,121	9,166,870	8,665,080	501,790
Instructional				
Teaching -- Regular School	202,489,766	195,933,747	195,911,302	22,445
Special Apportionment Programs	110,754,666	108,537,090	106,705,332	1,831,758
Other	77,833,725	78,784,603	77,802,182	982,421
Pupil Transportation	69,685,854	71,919,129	71,738,552	180,577
Community Services	311,187	643,795	624,346	19,449
Employee Benefits				
Retirement	41,912,000	33,655,700	33,654,997	703
Social Security	22,834,000	21,792,000	21,786,606	5,394
Health Insurance	71,917,300	72,194,540	72,066,456	128,084
Workers' Compensation	3,474,000	4,079,913	3,959,800	120,113
Other	5,277,314	4,470,521	4,137,624	332,897
Debt Service	4,179,591	4,004,035	4,003,549	486
Total Expenditures	662,508,565	651,899,250	647,198,028	4,701,222
Excess of Revenues Over Expenditures	46,718,234	45,160,864	56,891,635	11,730,771
OTHER FINANCING SOURCES (USES)				
Transfers In	2,253,876	2,465,877	671,528	(1,794,349)
Transfers Out	(63,972,110)	(62,626,741)	(62,626,741)	-
Total Other Financing Sources (Uses)	(61,718,234)	(60,160,864)	(61,955,213)	(1,794,349)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis	\$ (15,000,000)	\$ (15,000,000)	(5,063,578)	\$ 9,936,422
Encumbrances Included in Actual			194,548	
Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses			(4,869,030)	
Expenditure of Prior Years' Encumbrances			(142,683)	
Excess of Revenues and Other Sources Over Expenditures and Other Uses			(5,011,713)	
Fund Balance -- Beginning of Year			70,830,018	
Fund Balance -- End of Year			\$ 65,818,305	

**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, 2017**

Special Aid Fund				
	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Local Sources	\$ 3,924,178	\$ 4,937,527	\$ 2,754,178	\$ (2,183,349)
State Sources	63,513,773	71,135,324	65,623,821	(5,511,503)
Federal Sources	49,222,442	57,671,957	48,814,236	(8,857,721)
Total Revenues	116,660,393	133,744,808	117,192,235	(16,552,573)
EXPENDITURES				
Current:				
General Support				
Central Services	47,374	99,826	57,657	42,169
Other	2,655,454	3,139,757	1,602,081	1,537,676
Instructional				
Teaching -- Regular School	53,166,922	58,636,995	53,318,040	5,318,955
Special Apportionment Programs	18,503,420	20,379,871	19,577,431	802,440
Other	18,687,416	25,622,371	20,541,814	5,080,557
Pupil Transportation	1,697,301	2,345,938	2,279,227	66,711
Community Services	856,416	1,658,686	1,208,026	450,660
Employee Benefits				
Retirement	6,795,018	7,491,799	5,869,814	1,621,985
Social Security	3,636,418	4,262,627	3,769,657	492,970
Health Insurance	9,414,215	9,928,536	8,914,876	1,013,660
Workers' Compensation	761,824	884,556	814,725	69,831
Other	438,615	391,183	383,566	7,617
Total Expenditures	116,660,393	134,842,145	118,336,914	16,505,231
Excess (Deficiency) of Revenues Over Expenditures	-	(1,097,337)	(1,144,679)	(47,342)
OTHER FINANCING SOURCES				
Transfers In	-	1,097,337	1,144,679	47,342
Transfers Out	-	-	-	-
Total Other Financing Sources	-	1,097,337	1,144,679	47,342
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	\$ -	\$ -	-	\$ -
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>School Food Service Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Local Sources				
Other	\$ 200,000	\$ 200,000	\$ 302,180	\$ 102,180
State Sources	550,000	565,000	539,065	(25,935)
Federal Sources	20,843,000	22,668,219	22,533,806	(134,413)
Total Revenues	<u>21,593,000</u>	<u>23,433,219</u>	<u>23,375,051</u>	<u>(58,168)</u>
EXPENDITURES				
General Support				
Other	18,018,000	19,566,188	19,141,123	425,065
Employee Benefits				
Retirement	1,031,000	991,357	991,356	1
Social Security	500,000	550,648	550,647	1
Health Insurance	1,880,000	2,138,026	2,132,325	5,701
Workers' Compensation	105,000	125,000	119,045	5,955
Other	59,000	62,000	59,829	2,171
Total Expenditures	<u>21,593,000</u>	<u>23,433,219</u>	<u>22,994,325</u>	<u>438,894</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>380,726</u>	<u>380,726</u>
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of Prior Year Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis	<u>\$ -</u>	<u>\$ -</u>	<u>380,726</u>	<u>\$ 380,726</u>
Fund Balance -- Beginning of Year			1,141,323	
Fund Balance -- End of Year			<u>\$ 1,522,049</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued next page)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>	<u>Over (Under) Amended Budget</u>
Revenues				
Local Sources:				
Use of Money and Property	\$ 350,000	\$ 350,000	\$ 506,392	\$ 156,392
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	1,760,000	1,760,000	2,237,536	477,536
Miscellaneous	4,676,913	4,676,913	7,309,629	2,632,716
State Sources	581,239,886	569,073,201	570,312,469	1,239,268
Federal Sources	2,100,000	2,100,000	4,623,637	2,523,637
Total Revenues	<u>709,226,799</u>	<u>697,060,114</u>	<u>704,089,663</u>	<u>7,029,549</u>
Other Sources				
Transfers in	<u>2,253,876</u>	<u>2,465,877</u>	<u>671,528</u>	<u>(1,794,349)</u>
Total Other Sources	<u>2,253,876</u>	<u>2,465,877</u>	<u>671,528</u>	<u>(1,794,349)</u>
Total Revenues and Other Sources	<u>\$ 711,480,675</u>	<u>\$ 699,525,991</u>	<u>\$ 704,761,191</u>	<u>\$ 5,235,200</u>

(continued next page)

<u>Expenditures</u>	<u>Original Budget</u>	<u>Final Budget</u>
General Support:		
Staff	\$ 6,330,108	\$ 6,524,773
Central Services	37,971,933	40,192,534
Board of Education	595,885	600,469
Central Administration	491,412	901,049
Finance	4,564,824	4,845,124
Other	1,885,000	2,820,228
Instructional		
Teaching - Regular School	202,489,766	195,933,747
Programs for Children with Handicapping Conditions	104,869,164	103,008,584
Occupational Education	5,885,502	5,528,506
Instruction, Administration and Improvement	42,640,990	43,624,217
Teaching - Special Schools	4,663,000	3,874,193
Instructional Media	5,506,484	5,643,939
Pupil Services	25,023,251	25,642,254
Pupil Transportation	69,685,854	71,919,129
Community Services	311,187	643,795
Employee Benefits:		
Retirement	41,912,000	33,655,700
Social Security	22,834,000	21,792,000
Health Insurance	71,917,300	72,194,540
Workers' Compensation	3,474,000	4,079,913
Other	5,277,314	4,470,521
Debt Service		
Principal	3,415,119	3,415,119
Interest	764,472	588,916
Total Expenditures	<u>662,508,565</u>	<u>651,899,250</u>
Other Uses		
Transfers Out	63,972,110	62,626,741
Total Expenditures and Other Uses	<u>726,480,675</u>	<u>714,525,991</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (15,000,000)</u>	<u>\$ (15,000,000)</u>

<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 6,318,470	\$ 24,775	\$ 181,528
39,760,949	38,008	393,577
538,338	-	62,131
851,721	-	49,328
4,604,890	-	240,234
2,670,131	-	150,097
195,821,598	89,704	22,445
101,345,084	-	1,663,500
5,360,248	-	168,258
43,385,046	5,051	234,120
3,817,717	-	56,476
5,436,895	9,720	197,324
25,141,463	6,290	494,501
71,717,552	21,000	180,577
624,346	-	19,449
33,654,997	-	703
21,786,606	-	5,394
72,066,456	-	128,084
3,959,800	-	120,113
4,137,624	-	332,897
3,414,878	-	241
588,671	-	245
647,003,480	194,548	4,701,222
62,626,741	-	-
709,630,221	\$ 194,548	\$ (53,088,205)
\$ (4,869,030)		

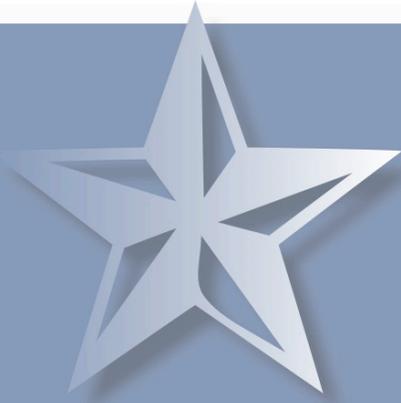
**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Debt Service Fund				
	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ -	\$ 418,917	\$ 418,917	\$ -
Total Revenues	-	418,917	418,917	-
EXPENDITURES				
Debt Service	52,896,661	54,999,730	54,999,730	-
Issue Costs	-	109,618	109,618	-
Total Expenditures	52,896,661	55,109,348	55,109,348	-
Deficiency of Revenues Over Expenditures	(52,896,661)	(54,690,431)	(54,690,431)	-
OTHER FINANCING SOURCES (USES)				
Sources:				
Transfers In	52,896,661	51,482,062	51,482,062	-
Refunding Bonds Issued	-	17,271,400	17,271,400	-
Premium on Refunding Bonds Issued	-	2,049,053	2,049,053	-
Uses:				
Transfers Out	-	(447,084)	(447,084)	-
Payment to Escrow Agent	-	(15,665,000)	(15,665,000)	-
Total Other Financing Sources (Uses)	52,896,661	54,690,431	54,690,431	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	-	\$ -
Fund Balance -- Beginning of Year			-	
Fund Balance -- End of Year			\$ -	

**ROCHESTER CITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Ordinance Number	Project Title	Appropriated & Issued	Expenditures to Date		Unexpended Balance
			Prior Years	Current Year	
13-007	Facility Capital Improvements	\$ 13,839,000	\$ 13,000,000	\$ 839,000	\$ -
13-397	Facility Capital Improvements	14,962,000	9,508,676	5,453,324	-
14-372	Facility Capital Improvements	12,000,000	7,074,947	4,925,053	-
14-243	Facility Capital Improvements	3,600,000	777,602	2,822,398	-
16-066	Facility Capital Improvements	7,600,000	-	7,600,000	-
	Accrued Capital Improvements	900,691	2,639,843	2,030,560	(3,769,712)
	Cash - Capital Improvements	21,219,152	-	5,088,226	16,130,926
	Totals	\$ 74,120,843	\$ 33,001,068	\$ 28,758,561	\$ 12,361,214

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STATISTICAL



STATISTICAL SECTION

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

- ◆ Financial Trends (Page 90-96) – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 97-100) – These schedules contain information to help the reader assess the District's most significant local revenue sources.
- ◆ Debt Capacity (Page 101-105) – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.
- ◆ Demographic and Economic Information (Page 106-107) – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.
- ◆ Operating Information (Page 108-112) – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities					
Net investment in capital assets	\$ 229,418,070	\$ 231,461,078	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564
Unrestricted (Deficit)	(54,652,221)	(70,682,248)	(78,288,628)	(133,132,558)	(142,832,981)
Total governmental activities net position	<u>\$ 174,765,849</u>	<u>\$ 160,778,830</u>	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities					
Net investment in capital assets	\$ 231,321,889	\$ 226,882,367	\$ 220,389,578	\$ 218,698,255	\$ 223,450,428
Restricted for Capital Expenditures	-	47,508,944	60,270,989	13,069,585	-
Restricted for Debt Service	4,735,764	655,408	320,406	8,162,364	5,573,029
Restricted for Revolving Loan Program	-	-	-	-	100,024
Unrestricted (Deficit)	(175,570,496)	(229,176,646)	(192,505,073)	(134,530,235)	(150,528,156)
Total governmental activities net position	<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>	<u>\$ 88,475,900</u>	<u>\$ 105,399,969</u>	<u>\$ 78,595,325</u>

Note: Restrictions not reported for fiscal 2011-12 and prior

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

(continued next page)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenditures				
General Support:				
Board of Education	\$ 685,664	\$ 678,153	\$ 700,462	\$ 845,542
Chief School Administrator	2,150,794	3,263,226	2,625,789	2,935,381
Finance	5,328,334	5,781,686	6,060,425	6,446,125
Staff	6,659,097	6,987,989	7,030,907	7,813,587
Central Services	73,464,586	74,596,293	75,301,682	74,794,471
Other	21,539,394	3,617,425	9,593,834	5,533,657
Total General Support	<u>109,827,869</u>	<u>94,924,772</u>	<u>101,313,099</u>	<u>98,368,763</u>
Instruction:				
Administration and Improvement	63,961,427	76,490,377	76,364,476	76,115,320
Teaching	385,363,331	420,456,795	422,444,062	444,285,066
Instructional Media	8,514,516	10,053,812	11,110,860	12,127,840
Pupil Services	30,168,305	32,319,277	32,250,202	32,369,551
Other	-	-	-	-
Total Instruction	<u>488,007,579</u>	<u>539,320,261</u>	<u>542,169,600</u>	<u>564,897,777</u>
Pupil Transportation	54,899,360	60,121,041	55,139,810	60,056,572
Community Services	7,821,082	7,273,466	6,965,346	7,143,070
Interest on Long-Term Debt	7,918,829	7,855,374	7,729,302	8,283,576
Depreciation-Unallocated	-	-	-	-
Total Expenditures	<u>668,474,719</u>	<u>709,494,914</u>	<u>713,317,157</u>	<u>738,749,758</u>
Program Revenues				
Charges for Services:				
Central Services	14,620,109	15,987,282	1,032,158	784,618
Teaching	1,376,696	1,384,364	1,636,777	1,279,395
Operating Grants and Contributions	90,671,547	95,492,259	101,612,225	107,490,316
Total Program Revenues	<u>106,668,352</u>	<u>112,863,905</u>	<u>104,281,160</u>	<u>109,554,329</u>
Net (Expense)/Revenue	<u>(561,806,367)</u>	<u>(596,631,009)</u>	<u>(609,035,997)</u>	<u>(629,195,429)</u>
General Revenues and Other Changes in Net Position				
Intergovernmental (Unrestricted)	119,100,000	119,100,000	119,100,000	119,100,000
Use of Money & Property	4,286,033	2,449,722	4,768,568	560,906
Interfund Reimbursements	2,322,353	-	-	-
State & Federal Aid	350,011,056	385,981,017	408,172,635	381,842,297
Lottery Aid	48,015,993	55,584,823	56,900,547	63,411,761
Miscellaneous	4,475,430	19,528,428	8,125,304	7,206,095
Total General Revenues and Other Changes in Net Position	<u>528,210,865</u>	<u>582,643,990</u>	<u>597,067,054</u>	<u>572,121,059</u>
Change in Net Position	<u>\$ (33,595,502)</u>	<u>\$ (13,987,019)</u>	<u>\$ (11,968,943)</u>	<u>\$ (57,074,370)</u>

2012	2013	2014	2015	2016	2017
\$ 937,364	\$ 804,532	\$ 968,455	\$ 811,972	\$ 1,184,391	\$ 826,611
823,745	1,018,962	1,183,391	947,164	2,509,063	1,254,537
5,624,636	5,957,755	7,449,533	6,165,866	7,418,291	7,166,275
6,337,641	6,016,143	6,959,452	5,948,881	7,755,959	8,664,357
71,636,605	74,430,768	81,900,706	77,142,220	82,909,676	84,582,223
6,461,292	8,665,885	8,255,958	4,951,793	4,814,857	5,578,543
<u>91,821,283</u>	<u>96,894,045</u>	<u>106,717,495</u>	<u>95,967,896</u>	<u>106,592,237</u>	<u>108,072,546</u>
66,516,877	73,712,391	70,286,652	74,179,100	67,388,814	74,173,631
422,176,283	434,230,713	416,521,090	462,945,545	477,002,393	534,213,686
9,361,416	9,222,737	8,688,549	9,922,632	9,349,425	10,075,991
36,379,149	36,650,565	36,102,054	40,050,199	40,769,018	46,122,793
-	-	-	-	-	-
<u>534,433,725</u>	<u>553,816,406</u>	<u>531,598,345</u>	<u>587,097,476</u>	<u>594,509,650</u>	<u>664,586,101</u>
59,602,833	65,325,728	68,990,845	70,433,794	77,363,591	80,517,980
3,642,674	2,604,672	3,036,392	3,419,962	3,124,667	2,496,464
7,502,523	12,532,896	17,598,994	17,931,983	18,814,372	18,286,259
-	-	-	-	-	-
<u>697,003,038</u>	<u>731,173,747</u>	<u>727,942,071</u>	<u>774,851,111</u>	<u>800,404,517</u>	<u>873,959,350</u>
954,589	771,124	108,583	135,478	276,366	302,180
1,539,574	1,408,777	1,605,929	1,593,999	1,962,993	2,237,536
103,192,159	101,980,675	107,816,885	109,228,469	113,987,817	118,232,454
<u>105,686,322</u>	<u>104,160,576</u>	<u>109,531,397</u>	<u>110,957,946</u>	<u>116,227,176</u>	<u>120,772,170</u>
<u>(591,316,716)</u>	<u>(627,013,171)</u>	<u>(618,410,674)</u>	<u>(663,893,165)</u>	<u>(684,177,341)</u>	<u>(753,187,180)</u>
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
635,161	283,477	259,181	682,214	753,878	969,347
-	-	-	-	-	-
396,973,771	413,568,396	454,984,197	462,719,362	497,713,112	527,620,451
59,355,281	63,012,095	66,698,736	69,627,693	68,357,659	70,014,974
6,764,569	8,288,777	6,395,864	10,725,335	15,176,761	8,677,764
<u>582,828,782</u>	<u>604,252,745</u>	<u>647,437,978</u>	<u>662,854,604</u>	<u>701,101,410</u>	<u>726,382,536</u>
<u>\$ (8,487,934)</u>	<u>\$ (22,760,426)</u>	<u>\$ 29,027,304</u>	<u>\$ (1,038,561)</u>	<u>\$ 16,924,069</u>	<u>\$ (26,804,644)</u>

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

(continued next page)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Nonspendable	\$ 1,814,956	\$ 2,293,454	\$ 39,546	\$ 4,405,058
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	41,096,379	42,234,704	58,297,595	40,728,264
Unassigned	4,932,662	15,694,610	19,064,883	26,557,687
Total General Fund	<u>\$ 47,843,997</u>	<u>\$ 60,222,768</u>	<u>\$ 77,402,024</u>	<u>\$ 71,691,009</u>
All Other Governmental Funds				
Nonspendable	\$ 573,374	\$ 448,225	\$ 458,729	\$ 99,138
Restricted	-	-	-	-
Assigned	1,140,361	1,559,873	1,436,907	871,767
Committed	-	-	-	-
Unassigned, Reported In:				
Capital Projects Fund	(17,580,328)	(40,133,564)	9,502,422	(258,865)
RJSCB Fund	-	-	-	-
Miscellaneous Special Revenue	-	-	-	(2,683,335)
Total All Other Governmental Funds	<u>\$ (15,866,593)</u>	<u>\$ (38,125,466)</u>	<u>\$ 11,398,058</u>	<u>\$ (1,971,295)</u>
Total All Governmental Funds	<u>\$ 31,977,404</u>	<u>\$ 22,097,302</u>	<u>\$ 88,800,082</u>	<u>\$ 69,719,714</u>

2012	2013	2014	2015	2016	2017
\$ 6,589,163	\$ 5,408,822	\$ 9,015,204	\$ 9,658,416	\$ 360,810	\$ 1,139,063
-	4,735,764	655,408	320,406	8,162,364	5,573,029
32,588,485	32,588,485	32,588,485	26,452,769	27,694,297	26,889,758
21,995,142	21,357,946	20,309,554	19,760,663	25,677,162	23,594,548
19,188,648	19,342,801	14,571,175	10,406,729	8,935,385	8,621,907
<u>\$ 80,361,438</u>	<u>\$ 83,433,818</u>	<u>\$ 77,139,826</u>	<u>\$ 66,598,983</u>	<u>\$ 70,830,018</u>	<u>\$ 65,818,305</u>
\$ 311,363	\$ 328,690	\$ 324,307	\$ 424,100	\$ 612,612	\$ 698,236
-	-	47,508,944	60,270,989	13,069,585	100,024
118,409,508	180,847,158	1,126,667	2,194,903	547,112	829,246
-	-	-	-	-	150,000
(9,227,636)	-	10,584,466	(5,664,911)	(1,938,251)	(19,204,786)
-	-	-	37,848	-	(27,896,351)
-	-	-	-	-	-
<u>\$ 109,493,235</u>	<u>\$ 181,175,848</u>	<u>\$ 59,544,384</u>	<u>\$ 57,262,929</u>	<u>\$ 12,291,058</u>	<u>\$ (45,323,631)</u>
<u>\$ 189,854,673</u>	<u>\$ 264,609,666</u>	<u>\$ 136,684,210</u>	<u>\$ 123,861,912</u>	<u>\$ 83,121,076</u>	<u>\$ 20,494,674</u>

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

(continued next page)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 4,380,909	\$ 2,449,722	\$ 4,768,568	\$ 560,907
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	10,797,977	16,191,725	15,986,384	10,777,116
State Sources	430,359,330	485,631,182	455,650,093	445,210,158
Federal Sources	68,476,550	72,673,518	107,728,741	104,692,597
Surplus Food	791,243	925,780	929,925	932,137
Sales	973,208	911,798	576,984	402,473
Total Revenues	<u>634,879,217</u>	<u>697,883,725</u>	<u>704,740,695</u>	<u>681,675,388</u>
Expenditures				
General Support:				
Staff	6,456,990	6,672,969	6,762,646	7,179,406
Central Services	47,704,150	47,594,354	49,382,721	47,243,300
Other	37,345,461	21,578,298	27,687,396	24,116,618
Instructional:				
Teaching - Regular School	203,630,068	222,394,714	225,292,202	236,502,568
Special Apportionment Programs	133,894,191	137,509,226	142,065,048	136,643,687
Other	118,085,930	133,518,980	134,904,890	131,741,908
Pupil Transportation	52,612,309	56,587,073	52,287,872	54,614,418
Community Services	6,042,832	7,124,911	6,773,889	6,844,001
Cost of Sales	6,321,146	6,960,822	7,211,720	7,454,503
Debt Service:				
Principal	18,156,921	14,779,453	13,578,018	18,385,022
Interest	7,898,563	8,009,606	6,790,890	8,984,972
Bond Issuance Costs	-	-	-	-
Capital Outlay	26,182,381	49,163,770	26,791,121	22,679,746
Total Expenditures	<u>664,330,942</u>	<u>711,894,176</u>	<u>699,528,413</u>	<u>702,390,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,451,725)	(14,010,451)	5,212,282	(20,714,761)
Other Financing Sources (Uses)				
Debt Proceeds	-	-	-	-
Refunding Bonds	-	-	-	-
Premium - Refunding Bonds	-	-	-	-
Premium - BAN and Bond Issuance	-	-	-	-
Payment to Escrow Agent	-	-	-	-
Long-term Debt	11,384,878	2,043,200	61,490,498	1,634,393
Transfers In	28,798,062	30,711,359	58,286,742	33,153,924
Transfers Out	(28,798,062)	(30,711,359)	(58,286,742)	(33,153,924)
Total Other Financing Sources (Uses)	<u>11,384,878</u>	<u>2,043,200</u>	<u>61,490,498</u>	<u>1,634,393</u>
Net Change in Fund Balances	<u>\$(18,066,847)</u>	<u>\$(11,967,251)</u>	<u>\$ 66,702,780</u>	<u>\$(19,080,368)</u>
Debt Service as a Percentage of Noncapital Expenditures	4.04%	3.40%	3.00%	3.99%

2012	2013	2014	2015	2016	2017
\$ 635,161	\$ 283,477	\$ 259,181	\$ 682,214	\$ 3,001,530	\$ 969,347
119,100,000	119,100,000	119,100,000	119,101,443	119,142,222	119,957,026
12,165,277	10,880,816	11,635,498	13,360,146	15,710,271	12,987,995
465,764,197	485,713,741	530,317,736	550,167,576	592,465,795	636,475,355
89,528,198	91,398,802	94,495,300	86,754,441	82,818,077	74,434,777
1,018,851	942,062	1,078,482	1,128,449	1,415,119	1,536,902
303,420	94,423	83,178	83,509	132,022	126,639
<u>688,515,104</u>	<u>708,413,321</u>	<u>756,969,375</u>	<u>771,277,778</u>	<u>814,685,036</u>	<u>846,488,041</u>
6,260,911	5,906,382	5,945,247	6,074,754	7,472,227	8,066,322
46,538,877	48,276,855	50,247,733	49,268,550	50,836,398	49,530,175
23,116,314	26,068,647	27,484,179	24,917,805	26,080,581	26,837,116
235,738,366	244,680,729	254,351,913	260,566,367	273,448,551	286,448,066
135,977,745	139,182,252	143,521,920	146,005,189	150,269,672	156,256,759
129,632,899	136,515,099	146,998,875	162,786,514	159,549,959	168,260,414
58,064,582	63,362,758	66,443,629	68,165,552	73,763,974	76,580,595
3,479,242	2,446,372	2,882,036	3,293,117	3,015,541	2,388,263
7,930,286	8,861,406	7,994,917	8,521,647	11,651,513	10,122,887
18,127,741	33,554,888	22,556,679	30,410,967	33,662,091	40,565,877
7,190,572	13,921,980	17,332,137	17,630,531	18,905,423	18,437,402
-	2,091,497	-	-	-	109,618
<u>31,277,855</u>	<u>102,472,252</u>	<u>139,640,040</u>	<u>59,866,645</u>	<u>66,769,942</u>	<u>69,871,162</u>
<u>703,335,390</u>	<u>827,341,117</u>	<u>885,399,305</u>	<u>837,507,638</u>	<u>875,425,872</u>	<u>913,474,656</u>
(14,820,286)	(118,927,796)	(128,429,930)	(66,229,860)	(60,740,836)	(66,986,615)
-	738,164	504,474	53,407,562	20,000,000	435,000
-	37,785,000	-	-	-	17,271,400
-	3,309,791	-	-	-	2,049,053
-	20,780,819	-	-	-	269,760
-	(22,730,000)	-	-	-	(15,665,000)
134,955,245	153,799,015	-	-	-	-
37,096,372	46,564,991	54,001,937	59,105,658	59,889,534	63,298,269
<u>(37,096,372)</u>	<u>(46,564,991)</u>	<u>(54,001,937)</u>	<u>(59,105,658)</u>	<u>(59,889,534)</u>	<u>(63,298,269)</u>
<u>134,955,245</u>	<u>193,682,789</u>	<u>504,474</u>	<u>53,407,562</u>	<u>20,000,000</u>	<u>4,360,213</u>
<u>\$ 120,134,959</u>	<u>\$ 74,754,993</u>	<u>\$ (127,925,456)</u>	<u>\$ (12,822,298)</u>	<u>\$ (40,740,836)</u>	<u>\$ (62,626,402)</u>
3.71%	6.50%	5.29%	6.02%	6.49%	6.92%

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

Fiscal Year	Assessed Value	Real Property - Total Direct Tax Rate per \$1,000 ¹		Estimated Actual Value	Assessed Value as a Percentage of Actual Value ²	Total Direct Rate Applied to Base
		Homestead	Non-Homestead			
2008	\$ 5,189,455	\$21.72	\$43.54	\$ 5,787,282	89.67%	3.05%
2009	5,747,600	20.57	40.67	5,774,161	99.54%	2.86%
2010	5,777,374	19.61	41.69	5,815,723	99.34%	2.85%
2011	5,779,908	19.50	42.23	5,802,907	99.60%	2.86%
2012	5,785,340	20.04	42.79	5,906,907	97.94%	2.91%
2013	5,910,992	19.32	42.98	6,128,302	96.45%	2.85%
2014	5,931,350	19.65	42.04	6,024,586	98.45%	2.84%
2015	5,973,945	20.05	42.86	6,250,507	95.58%	2.90%
2016	5,992,862	20.15	41.92	6,207,003	96.55%	2.88%
2017	6,494,050	19.21	37.76	6,680,286	97.21%	2.69%

Source: City Assessors' Office

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

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

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

Year Ended 06/30	Class ¹	City of Rochester ²		Overlapping		Total Direct & Overlapping Rate
		Rochester City School District	City of Rochester	Monroe County ³		
2008	Homestead	14.89	6.83	9.97		31.69
	Non-Homestead	30.01	13.53	9.97		53.51
2009	Homestead	14.98	5.59	9.20		29.77
	Non-Homestead	29.74	10.93	9.20		49.87
2010	Homestead	14.28	5.33	9.20		28.81
	Non-Homestead	30.48	11.21	9.20		50.89
2011	Homestead	14.11	5.39	9.16		28.66
	Non-Homestead	30.69	11.54	9.16		51.39
2012	Homestead	14.22	5.82	9.19		29.23
	Non-Homestead	30.49	12.30	9.19		51.98
2013	Homestead	13.71	5.61	9.20		28.52
	Non-Homestead	30.62	12.36	9.20		52.18
2014	Homestead	13.95	5.70	9.20		28.85
	Non-Homestead	29.95	12.09	9.20		51.24
2015	Homestead	13.83	6.22	9.22		29.27
	Non-Homestead	29.69	13.17	9.22		52.08
2016	Homestead	13.94	6.21	9.22		29.37
	Non-Homestead	29.03	12.88	9.22		51.13
2017	Homestead	13.10	6.11	9.17		28.38
	Non-Homestead	25.78	11.98	9.17		46.93

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.

³Source: Monroe County Treasury

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

	2017			2008		
	Taxable Value	Rank	Percentage of Total Taxable Assessed Value ¹	Taxable Value ²	Rank	Percentage of Total Taxable Assessed Value ²
Rochester Gas and Electric Corporation	\$ 928,584	1	14.31%	\$ 527,221	1	10.16%
Buckingham Properties	72,903	2	1.12%	27,913	4	0.54%
Eastman Kodak Company	61,621	3	0.95%	100,400	2	1.94%
Frontier Telephone Corporation	56,231	4	0.87%	70,699	3	1.36%
CSX	28,830	5	0.44%	13,594	9	0.26%
Clinton Asset Holding	25,000	6	0.39%	-	-	-
Maguire Family Properties	21,133	7	0.33%	18,509	6	0.36%
Anthony Dimarzo	15,039	8	0.23%	-	-	-
Carestream Health Incorporated	12,859	9	0.20%	-	-	-
Farash Corporation	11,600	10	0.18%	-	-	-
Chase Manhattan	-	-	-	21,709	5	0.42%
Xerox	-	-	-	14,250	7	0.28%
Landsman Development Corp.	-	-	-	13,992	8	0.27%
Midtown Rochester LLC	-	-	-	13,442	10	0.26%
Totals	<u>\$ 1,233,800</u>			<u>\$ 821,729</u>		

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

¹ The total taxable assessed value of \$6,489,230,000 was used for fiscal year 2016-17 taxes, City Assessor's Office.

² The total taxable assessed value of \$5,188,750,000 was used for fiscal year 2007-08 taxes, City Assessor's Office.

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

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 190,298	\$ 174,902	91.91%	\$ 8,780	\$ 183,682	96.52%
2009	196,088	181,218	92.42	7,823	189,041	96.41
2010	197,219	182,281	92.43	8,967	191,248	96.97
2011	201,211	185,325	92.10	9,353	194,678	96.75
2012	205,558	189,505	92.19	9,885	199,390	97.00
2013	206,013	190,291	92.37	11,239	201,530	97.83
2014	206,188	191,616	92.93	10,637	202,253	98.09
2015	213,694	198,289	92.79	10,693	208,982	97.79
2016	213,823	198,982	93.06	8,538	207,520	97.05
2017	217,466	203,176	93.43	N/A	203,176	93.43

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

Source: City of Rochester, Department of Finance.

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

Fiscal Year	General Obligation Bonds	School Facility Revenue Bonds	Bond Premiums	Special Program & School Purpose Revenue Bonds	Installment Purchase Contracts	Total	Percentage of Personal Income ¹	Per Capita ²
2008	\$ 127,318,629	\$ -	\$ -	\$ 9,683,982	\$ 18,860,874	\$ 155,863,485	0.50%	210
2009	116,050,555	-	-	6,908,903	18,154,697	141,114,155	0.47	190
2010	166,374,111	-	-	4,142,064	16,657,111	187,173,286	0.60	251
2011	152,489,769	-	-	2,821,052	15,035,509	170,346,330	0.52	228
2012	262,655,400	-	-	1,435,796	12,465,626	276,556,822	0.80	370
2013	171,813,000	227,155,000	33,940,930	-	11,971,682	444,880,612	1.23	593
2014	155,400,000	223,810,000	31,679,985	-	9,556,959	420,446,944	1.22	561
2015	137,920,000	257,970,000	38,181,490	-	6,855,376	440,926,866	1.23	588
2016	139,270,000	245,880,000	37,480,065	-	4,010,017	426,640,082	1.19	569
2017	118,020,401	231,585,000	36,323,910	-	1,157,695	387,087,006	1.08	516

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

² Population figures from US Census Bureau; prior year data used for current year.

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

Fiscal Year	Total General Obligation Debt - District	Total General Obligation Debt - FMP	Premiums	Less: Amounts Available for Debt	Total	Percentage of Assessed Value of Property	Per Capita ¹
2007-08	\$ 127,318,629	\$ -	\$ -	\$ -	\$ 127,318,629	2.45%	172
2008-09	116,050,555	-	-	-	116,050,555	2.02	156
2009-10	166,374,111	-	-	-	166,374,111	2.88	224
2010-11	152,489,769	-	-	-	152,489,769	2.64	205
2011-12	262,655,400	-	-	-	262,655,400	4.54	351
2012-13	171,813,000	227,155,000	33,940,930	4,735,764	428,173,166	7.24	571
2013-14	155,400,000	223,810,000	31,679,985	655,408	410,234,577	6.92	547
2014-15	137,920,000	257,970,000	38,181,490	320,406	433,751,084	7.26	579
2015-16	139,270,000	245,880,000	37,480,065	2,247,652	420,382,413	7.02	561
2016-17	118,020,401	231,585,000	36,323,910	-	385,929,311	5.94	515

¹ Population figures from the US Dept of Commerce www.bea.gov; current year and prior year data not available; 2015 data used for 2016 and 2017.

**ROCHESTER CITY SCHOOL DISTRICT
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2017**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct Debt:			
Rochester City School District	\$ 387,087,006	100.00%	\$ 387,087,006
Sub Total - Direct Debt	<u>387,087,006</u>		<u>387,087,006</u>
Overlapping Debt:			
City of Rochester	85,018,271	100.00%	85,018,271
County of Monroe	497,777,687	15.46%	76,956,430
Sub Total - Overlapping Debt	<u>582,795,958</u>		<u>161,974,701</u>
Total Direct and Overlapping Debt:	<u>\$ 969,882,964</u>		<u>\$ 549,061,707</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. Source of data is City of Rochester Finance Department. The overlap percentage (15.46%) 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
2008	\$ 200,645,932	\$ 188,092,754	\$ 12,553,178	6.26%
2009	203,319,911	199,065,280	4,254,631	2.09
2010	205,972,509	192,456,711	13,515,798	2.07
2011	206,453,503	177,809,769	28,643,734	13.87
2012	206,455,928	173,717,400	32,738,528	15.86
2013	206,975,273	171,813,000	35,162,273	16.99
2014	206,974,677	159,400,000	47,574,677	22.99
2015	211,103,324	157,920,000	53,183,324	25.19
2016	211,601,950	157,270,000	54,331,950	25.68
2017	209,627,173	149,586,401	60,040,772	28.64

Legal Debt Margin Calculation for Fiscal Year 2015

Indebtedness	
Borrowings -- Bonds	\$ 118,020,401
Borrowings -- BANs	31,566,000
	149,586,401
Net Indebtedness	
Debt Limit (3.5%/9% of five-year average full valuation) ¹	209,627,173
	209,627,173
Debt Contracting Margin ²	\$ 60,040,772
	60,040,772

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
2008	\$ 1,477,360	\$ 1,477,360	\$ 220,612	0.87	\$ 1,196,776	\$ 1,196,776	\$ 252,967	0.83
2009	1,549,976	1,549,976	203,207	0.88	1,225,103	1,225,103	239,576	0.84
2010	1,485,426	1,485,426	123,396	0.92	1,281,413	1,281,413	171,062	0.88
2011	-	-	-	0.92	1,321,012	1,321,012	130,020	0.91
2012	-	-	-	-	1,385,256	1,385,256	71,466	0.95
2013	-	-	-	-	1,435,796	1,435,796	39,531	0.97
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-

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

²This bond is backed by the State Education Department, in accordance with state legislation to assist with operating expenses of the District. Data derived from the MBBA.

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

Fiscal Year	Population - Monroe County¹	Personal Income - Monroe County¹ (000s)	Per Capita Personal Income - Monroe County¹	Unemployment Rate - Monroe County^{2,3}
2008	741,018	\$ 31,200,177	\$ 42,104	5.5%
2009	743,386	30,153,246	40,562	7.8
2010	744,344	31,336,252	42,099	8.0
2011	745,625	32,728,163	43,894	7.7
2012	747,615	34,478,067	46,117	7.9
2013	749,606	36,102,780	48,162	7.0
2014	749,857	34,438,705	45,927	5.8
2015	749,600	35,970,644	47,986	5.1
2016	N/A	N/A	N/A	4.7
2017	N/A	N/A	N/A	4.8

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

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

³ Average rate for 2017 based on monthly rates through July

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

Employer	2017			2008		
	Employees ¹	Rank	Percentage of Total Employment ²	Employees ¹	Rank	Percentage of Total Employment ²
University of Rochester/Strong Health	25,600	1	4.59%	18,671	1	3.13%
Rochester Regional Health System	18,500	2	3.32%	7,005	5	1.18%
Wegman's Food Markets Inc.	13,294	3	2.38%	13,683	2	2.30%
Lifetime Healthcare Cos. Inc.	5,600	4	1.00%	3,649	7	0.61%
Paychex Inc.	4,476	5	0.80%	3,115	9	0.52%
Rochester Institute of Technology	3,913	6	0.70%	3,435	8	0.58%
Xerox Corp.	3,800	7	0.68%	7,636	4	1.28%
YMCA of Greater Rochester	3,571	8	0.64%	-	-	-
Harris/RF Communications	3,400	9	0.61%	2,200	10	0.37%
Tops Markets LLC	2,324	10	0.42%	-	-	-
Eastman Kodak Co.	-	-	-	9,200	3	1.54%
Unity Health System	-	-	-	5,222	6	0.88%
	<u>84,478</u>		<u>15.15%</u>	<u>73,816</u>		<u>12.39%</u>

¹ Source Rochester Business Journal and various employer websites.

² Employment source: www.labor.ny.gov; 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**

	2008	2009	2010	2011	2012
General Support:					
Board of Education	11	11	11	8	8
Chief School Administrator	8	10	14	13	6
Finance	54	56	59	52	49
Staff	48	48	45	36	39
Central Services	607	647	636	568	555
Total General Support	<u>728</u>	<u>772</u>	<u>765</u>	<u>677</u>	<u>657</u>
Instruction:					
Administration and Improvement	644	678	669	626	586
Teaching	4,170	4,235	4,033	3,737	3,483
Instructional Media	72	72	66	63	61
Pupil Services	259	276	271	238	313
Pupil Transportation	137	132	125	114	106
Community Services	48	116	109	110	38
Unclassified	15	15	15	14	12
Total Instruction	<u>5,345</u>	<u>5,524</u>	<u>5,288</u>	<u>4,902</u>	<u>4,599</u>
Total	<u><u>6,073</u></u>	<u><u>6,296</u></u>	<u><u>6,053</u></u>	<u><u>5,579</u></u>	<u><u>5,256</u></u>
	2013	2014	2015	2016	2017
General Support:					
Board of Education	10	11	13	12	11
Chief School Administrator	5	4	4	4	6
Finance	52	51	55	62	59
Staff	41	42	47	48	49
Central Services	589	605	707	701	708
Total General Support	<u>697</u>	<u>713</u>	<u>826</u>	<u>827</u>	<u>833</u>
Instruction:					
Administration and Improvement	577	576	585	598	601
Teaching	3,527	3,375	3,615	3,718	3,963
Instructional Media	64	73	72	83	87
Pupil Services	334	318	351	346	372
Pupil Transportation	121	125	113	133	134
Community Services	35	31	47	22	19
Unclassified	10	10	9	13	13
Total Instruction	<u>4,668</u>	<u>4,508</u>	<u>4,792</u>	<u>4,913</u>	<u>5,189</u>
Total	<u><u>5,365</u></u>	<u><u>5,221</u></u>	<u><u>5,618</u></u>	<u><u>5,740</u></u>	<u><u>6,022</u></u>

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

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

Fiscal Year	K - 12 Enrollment¹	Government-Wide Expenses	Cost Per Pupil	Percentage Change from Prior Year	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals¹
2008	32,717	\$ 668,838,299	\$ 20,443	8.5%	4,170	7.8	79.3%
2009	32,132	709,494,914	22,081	8.0	4,235	7.6	81.2
2010	31,654	713,317,157	22,535	2.1	4,033	7.8	83.6
2011	31,256	738,749,758	23,635	4.9	3,737	8.4	88.4
2012	30,693	697,003,038	22,709	-3.9	3,483	8.8	82.1
2013	29,523	731,173,747	24,766	9.1	3,527	8.4	100.0 ²
2014	29,103	771,586,459	26,512	7.1	3,375	8.6	100.0 ²
2015	28,401	774,851,111	27,283	2.9	3,615	7.9	100.0 ²
2016	27,745	800,404,517	28,849	5.7	3,718	7.5	100.0 ²
2017	26,976	873,959,350	32,398	12.3	3,963	6.8	100.0 ²

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

²The Federal Community Based Option program was implemented in 2012-13, all students are now eligible for free meals.

**ROCHESTER CITY SCHOOL DISTRICT
OPERATING STATISTICS-CONTINUING DISCLOSURE COMPLIANCE
LAST TEN FISCAL YEARS**

Fiscal Year	K-12 Enrollment	School Buildings¹	Teaching Staff	Administrative Personnel²	Instructional Support³	State Aid Received (Millions)⁴
2007-08	32,717	54	4,170	728	1,175	430
2008-09	32,132	54	4,235	772	1,289	486
2009-10	31,654	54	4,033	765	1,255	456
2010-11	31,256	52	3,737	677	1,165	445
2011-12	30,693	52	3,483	657	1,116	466
2012-13	29,523	52	3,527	697	1,141	486
2013-14	29,103	52	3,375	713	1,133	514
2014-15	28,401	52	3,615	826	1,177	550
2015-16	27,745	50	3,718	827	1,195	592
2016-17	26,976	49	3,963	833	1,226	636

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

² Includes Board of Education, chief school administration, finance, central services, and other unclassified administrative staff.

³ Includes instructional administration, instructional media, pupil services, pupil transportation, and community services staff.

⁴ Includes state aid recorded in the general, special aid and school food service funds.

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

(continued next page)

	2008	2009	2010	2011	2012
<u>Schools</u>					
Elementary					
Buildings	38	38	38	38	38
Square Feet	2,977,479	2,977,479	3,068,471	2,953,692	2,953,692
Capacity	20,422	20,922	21,324	21,324	21,324
Enrollment	17,093	17,271	17,228	17,152	16,949
Secondary					
Buildings	16	16	16	14	14
Square Feet	3,704,416	3,704,416	3,704,416	2,475,222	3,475,222
Capacity	16,345	15,775	15,775	15,775	15,775
Enrollment	15,675	14,861	14,426	14,104	13,744
Other					
Buildings	1	3	3	2	2
Square Feet	141,969	296,969	176,319	204,232	200,560
Capacity	-	-	-	-	-
Enrollment	-	-	-	-	-
<u>Administrative</u>					
Buildings	4	3	2	4	4
Square Feet	256,781	170,354	241,755	401,750	401,750
<u>Transportation</u>					
Garages/Maintenance (sq. ft.)	256,077	256,077	256,077	-	-
Buses	90	87	88	88	86
<u>Athletics</u>					
Football Fields	7	7	7	7	7
Soccer Fields	5	9	9	9	9
Running Tracks	6	8	8	8	8
Baseball/Softball	10	22	22	22	22
Swimming Pools	11	13	13	13	13
Playgrounds	39	36	36	36	36

Source: Facilities Department District records

- 1 Total managed squarefootage includes main building, transportables and any additional community use space.
- 2 The District has modified some buildings to a prek-8 model, other elementary school buildings are prek-6. Secondary schools are managed as either a 7-12 or a 9-12 model. The District has a k-12 school program. Data reflects capacities and enrollment as the best estimation of the building being either an elementary or a secondary building.
- 3 Facility is 30 Hart Street and is used for multiple purposes.
- 4 Facilities are Central Office, Service Center and 283 W. Ridge Road. The Martin Street facility has been converted to serve primarily as secondary swing space; therefore this building has been included in the secondary school category.
- 5 Garage/Maintenance included as part of Service Center.
- 6 Elementary school #15 has been permanently closed
- 7 Elementary enrollment excludes PreK students educated at non-District facilities by community based organizations.

2013	2014	2015	2016	2017	
38	38	38	37	36	⁶
3,209,513	3,220,760	3,220,760	3,098,432	2,889,690	¹
20,733	20,883	21,215	20,249	19,851	²
16,679	16,672	16,328	15,867	17,950	²
14	14	14	14	14	
3,433,212	3,439,476	3,439,576	3,439,576	3,439,576	¹
14,888	14,888	16,660	16,660	16,660	²
12,844	12,431	12,073	11,878	9,977	²
2	1	1	1	1	³
200,560	129,389	129,389	129,389	129,389	¹
-	-	-	-	-	
-	-	-	-	-	
3	3	3	3	3	⁴
261,598	261,598	261,598	261,598	261,598	¹
-	-	-	-	-	⁵
86	90	90	91	91	
7	7	7	7	7	
9	9	9	9	9	
8	8	8	8	8	
22	22	22	22	22	
13	13	13	12	12	⁷
36	36	36	36	36	

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the year ended June 30, 2017, 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 15, 2017.

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 15, 2017



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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Freed Maxick CPAs, P.C.

Rochester, New York
November 15, 2017

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

(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>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
Direct Programs:				
Impact Aid	84.041B	S041B20173427	\$0	\$6,424
Impact Aid	84.041B	S041B20163427	0	7,844
<i>Subtotal U.S. Department of Education Direct Programs</i>			\$0	\$14,268
Pass-Through the New York State Education Dept:				
Title I	84.010A	0021171395	\$0	\$19,926,497
Title I	84.010A	0021161395	0	1,133,629
Title I, School Improvement SES 1003(A)	84.010A	0011177020	0	27,264
Title I, School Improvement SES 1003(A)	84.010A	0011177021	0	42,168
Title I, School Improvement SES 1003(A)	84.010A	0011177022	0	44,580
Title I, School Improvement	84.010A	0011172004	0	1,078,007
Title I, School Improvement	84.010A	0011162004	0	456,215
Title I, School Improvement	84.010A	0011176115	0	215,637
Title I, School Improvement	84.010A	0011166115	0	1
Title I, School Improvement	84.010A	0011177020	0	174,189
Title I, School Improvement	84.010A	0011177022	0	103,234
Title I, School Improvement	84.010A	0011177021	0	175,606
Title I, School Improvement	84.377A	0123174106	0	461,838
Title I, School Improvement	84.377A	0123164106	0	64,321
Title I, School Improvement	84.377A	0123177606	0	378,450
Title I, School Improvement	84.377A	0123177608	0	476,422
Title I, School Improvement	84.377A	0123177597	0	463,975
Title I, School Improvement	84.377A	0123177616	0	360,550
Title I, School Improvement	84.377A	0123175112	0	465,609
Title I, School Improvement	84.377A	0123165112	0	40,421
Title I, School Improvement	84.377A	0123175113	0	440,829
Title I, School Improvement	84.377A	0123165113	0	115,210
Title I, School Improvement	84.377A	0123175114	0	2,337
Title I, School Improvement	84.377A	0123165114	0	416,575
Title I, School Improvement	84.377A	0123175111	0	347,048
Title I, School Improvement	84.377A	0123165111	0	180,150
Title I, School Improvement	84.377A	0123175118	0	386,945
Title I, School Improvement	84.377A	0123165118	0	83,291
Title I, School Improvement	84.377A	0123177017	0	704,345
Title I, School Improvement	84.377A	0123177019	0	699,954
Title I, School Improvement	84.377A	0123167019	0	-1
Title I, School Improvement	84.377A	0123177018	0	637,081
Title I, School Improvement	84.377A	0123167017	0	1
Title IIA - Tchr & Prin	84.367A	0147171395	0	2,991,777
Title IIA - Tchr & Prin	84.367A	0147161395	0	240,440

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(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>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
Title II MSP Science	84.366B	0294170211	0	185,655
Title II MSP Science	84.366B	0294160211	0	-1,330
Title II MSP Math	84.366B	0294170203	0	583,313
Title II MSP Math	84.366B	0294160203	0	-2,820
Title III - Bilingual Educ	84.365A	0293171395	0	390,108
Title III - Bilingual Educ	84.365A	0293161395	0	193,372
Perkins Adult	84.048A	8000179020	0	106,510
Perkins Adult	84.048A	8000169020	0	1
Perkins Correctional	84.048A	8030170001	0	9,167
Perkins Secondary	84.048A	8000170024	0	396,987
Perkins Secondary	84.048A	8000160024	0	1
Pathways to Technology	84.048A	8039170012	0	354,451
Pathways to Technology	84.048A	8039160012	0	151
WIA, Title 2, Correction Ed	84.002A	0138172020	0	244,700
WIA, Title 2, ESOL/Civics	84.002A	0040172067	0	242,638
WIA, Title 2, Adult	84.002A	2338173032	0	92,527
WIA, Title 2, Adult	84.002A	2338163032	0	-12,111
WIA, Title 2, Adult	84.002A	2338172116	0	463,057
WIA, Title 2, Adult	84.002A	2338162116	0	-1
Homeless Children & Youth	84.196A	0212173023	0	117,584
21st Century Community Learning	84.287C	0187176114	0	1,073,127
Teacher Incentive Fund	84.374	5600160002	0	209,602
 <i>Special Education Cluster:</i>				
IDEA Support Serv & Sec 611	84.027A	0032170370	\$0	\$9,610,152
IDEA Support Serv & Sec 611	84.027A	0032160370	0	1
IDEA Support Serv & Sec 619	84.173A	0033170370	0	457,193
IDEA Support Serv & Sec 619	84.173A	0033160370	0	-1
SETRC	84.027A	C01221217	0	396,246
<i>Subtotal Special Education Cluster</i>			\$0	\$10,463,591
 <i>Subtotal Pass-Through New York State Education Department</i>			\$0	\$48,444,875
 Total U.S. Department of Education			\$0	\$48,459,143

**ROCHESTER CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<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>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services				
Pass-Through the NYS Office of Temporary & Disability Assistance:				
Discretionary Targeted Asst. Grant: Making a Connection Program	93.576	C021724-18	\$0	\$8,115
Discretionary Targeted Asst. Grant: Making a Connection Program	93.576	C021724-17	0	111,317
Pass-Through Catholic Family Center:				
CFC Workforce Development	97.010	CFCWORKDEV17	\$0	\$104,853
Pass-Through Health Research Incorporated:				
Pregnancy Assistance Fund	93.500	5SP1AH0000250300/4739-04	\$0	\$114,777
Pregnancy Assistance Fund	93.500	5SP1AH0000250200/4739-03	0	8,576
Total U.S. Department of Health and Human Services			\$0	\$347,638
U.S. Department of Agriculture				
<u>Nutrition Cluster:</u>				
Pass-Through NYS Bureau of School Food Management:				
School Fund Service Fund - Breakfast	10.553	--	\$0	\$6,291,810
School Fund Service Fund - Lunch/Surplus Food Commodities	10.555	--	0	14,362,475
Pass-Through City of Rochester:				
Summer Food Service Program	10.559	--	0	839,302
<i>Subtotal Nutrition Cluster</i>			\$0	\$21,493,587
Pass-Through the NYS Department of Education:				
Child Nutrition Fresh Fruit, Veg Prog	10.582	0004170016	\$0	\$1,040,219
Pass-Through the NYS Office of Temporary & Disability Assistance:				
NYSOTDA Food Stamp Employment	10.561	C021213016	\$0	-\$581
SNAP Supplemental Nutrition Assistance	10.561	C021618016	0	-21,654
Total U.S. Department of Agriculture			\$0	\$22,511,571
U.S. Department of Labor				
Pass-Through the NYS Department of Labor:				
Veteran 3-Month Career Training "Boot-Camp" at OACES	17.278	T156445	\$0	\$29,690
Total U.S. Department of Labor			\$0	\$29,690
Total Expenditures of Federal Awards			\$0	\$71,348,042

See notes to Schedule of Expenditures of Federal Awards

ROCHESTER CITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs administered by the District. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District's reporting entity is defined in Note I.A. in the District's Financial Statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, are included on the schedule. Because the schedule presents only a selected portion of the operations of the District, it is not intended and does not present the financial position, changes in net position or cash flows of the District.

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the District's financial reporting system, which is the source of the District's basic financial statements.

3. Pass-Through Grantor

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

4. Relationship to Financial Reports

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

5. Other

In the Schedule of Expenditures of Federal Awards for the School Food Service Fund, \$1,536,902 for commodities has been received from the U.S. Department of Agriculture and is included in the current year revenues and expenditures.

Negative expenditures are the result of program closeouts.

6. Indirect Cost

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

ROCHESTER CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>Name of Federal Programs or Clusters</u>	<u>CFDA Number(s)</u>
Special Education Cluster	84.027/84.173
Title I School Improvement Grant	84.377

Dollar threshold used to distinguish between type A and type B programs \$2,140,441

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, 2017 (Continued)

II. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted in the current fiscal year.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

ROCHESTER CITY SCHOOL DISTRICT

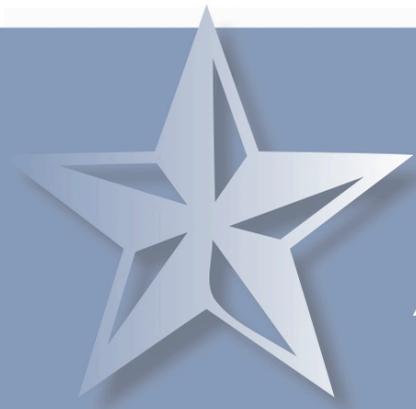
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

I. FINANCIAL STATEMENT FINDINGS

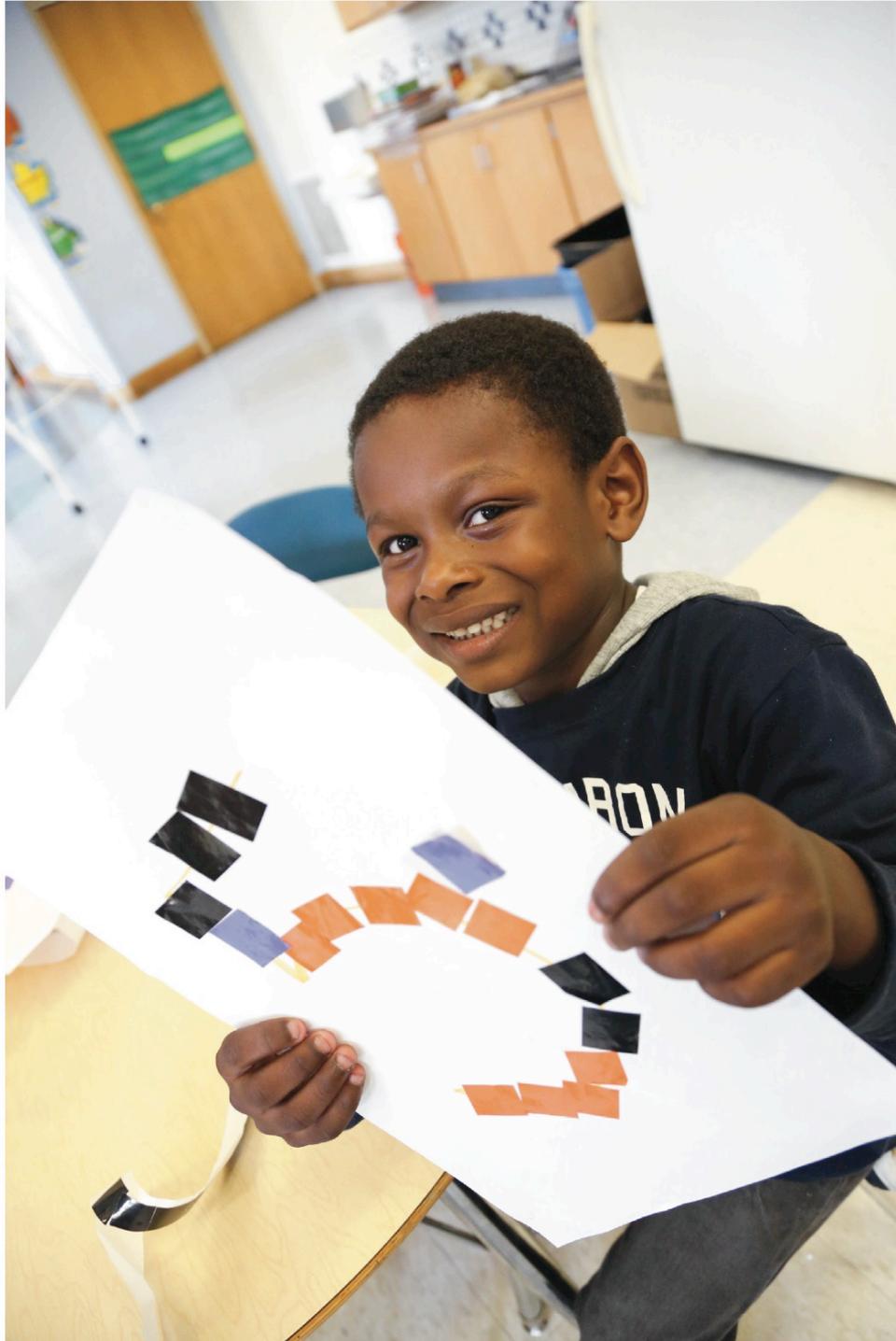
There were no findings related to the financial statement audit noted for the fiscal year ended June 30, 2016.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the fiscal year ended June 30, 2016.



STUDENT ACTIVITY FUNDS





**INDEPENDENT AUDITOR’S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASSROOM ACTIVITY FUNDS**

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

Report on the Financial Statements

We have audited the accompanying Statement of Assets and Liabilities Arising from Cash Transactions and Statement of Cash Receipts and Disbursements of Rochester City School District (the District), a component unit of the City of Rochester, New York, as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statement.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurers. Accordingly, it was impractical to extend our audit of receipts beyond the amounts recorded and were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the recorded transactions of the Extraclassroom Activity Funds of the District for the years ended June 30, 2017 and 2016, arising from cash collected and disbursements made during the years then ended on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Rochester, New York

November 15, 2017

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Cash:		
Elementary Schools	\$ 27,133	\$ 22,191
Secondary Schools	<u>99,197</u>	<u>89,604</u>
Total Assets	<u>\$ 126,330</u>	<u>\$ 111,795</u>
Liabilities		
Student Deposits:		
Elementary Schools	\$ 27,133	\$ 22,191
Secondary Schools	<u>99,197</u>	<u>89,604</u>
Total Liabilities	<u>\$ 126,330</u>	<u>\$ 111,795</u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

	June 30, 2017	June 30, 2016
Receipts		
Elementary Schools	\$ 38,993	\$ 43,054
Secondary Schools	274,598	261,277
Total Receipts	313,591	304,331
Disbursements		
Elementary Schools	34,051	56,010
Secondary Schools	265,005	283,326
Total Disbursements	299,056	339,336
(Deficiency) of Receipts over Disbursements	14,535	(35,005)
Cash -- Beginning of Year	111,795	146,800
 Cash -- End of Year	 \$ 126,330	 \$ 111,795

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
STUDENT ACTIVITY FUNDS
JUNE 30, 2017**

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.

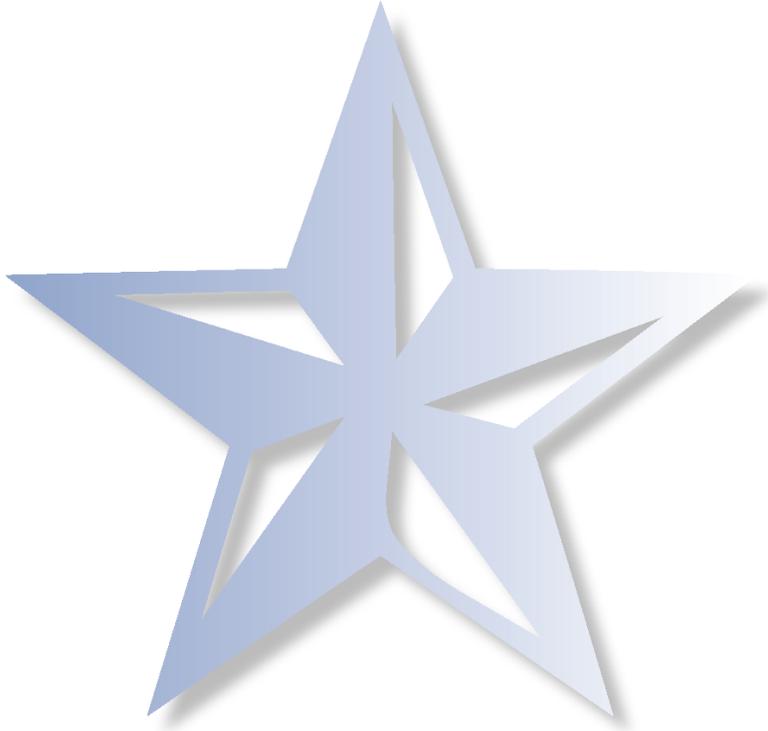
The Superintendent of the District has the responsibility and authority to implement all policies and rules pertaining to the supervision and administration of student activity funds in accordance with established policies and rules of the District’s Board of Education.

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, 2017.

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



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