

THE CITY OF ROCHESTER, NEW YORK
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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Department of Finance

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ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013
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INTRODUCTORY SECTION



December 26, 2013

The Honorable Members of the City Council
The City of Rochester, New York

Ladies and Gentlemen:

In accordance with provisions of the City Charter, I hereby transmit the annual financial report of the City of Rochester as of and for the year ended June 30, 2013. The accounting firm selected by City Council, Freed Maxick CPAs PC, has audited the financial statements. The auditors' unmodified opinion is included in this report.

In each of the past twenty-nine years the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). Certificates are awarded to those governments whose annual financial reports are judged to conform to generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. It is my belief that the fiscal year 2013 financial report continues to meet the requirements of the Certificate of Achievement Program.

The preparation of this annual financial report could not have been accomplished without the dedicated effort of the Finance Director and his entire staff. Their efforts over the past years toward upgrading the accounting and financial reporting systems of the City of Rochester have led to the improved quality of the information being reported to the City Council and the citizens of the City of Rochester.

Respectfully submitted,

Thomas S. Richards
Mayor





December 26, 2013

**The Mayor
The City of Rochester, New York**

I am pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year ended June 30, 2013. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Freed Maxick CPAs PC, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Rochester’s financial statements for the year ended June 30, 2013. The independent auditor’s report is located at the front of the financial section of this report.

The Management Discussion and Analysis section (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, and independent auditors’ reports on internal control and compliance with applicable laws and regulations, is included in the single audit section of this report.

PROFILE OF THE GOVERNMENT

The City, located in Monroe County on Lake Ontario, approximately midway between Buffalo and Syracuse, encompasses approximately 37 square miles. Rochester was recorded as the third largest city in New York State by the 2010 census updates with a population currently estimated at 210,565. It is divided into 66,323 real estate parcels, and serviced by 540 miles of public ways. Rochester is served by three bus lines; the New York Thruway; and twenty-three airlines (six major and seventeen regional) at the Greater Rochester International Airport. This airport also offers support facilities for private aircraft. Rail passenger service is provided by Amtrak, and railway freight service is provided by CSX and Genesee & Wyoming, Inc., a regional railroad. Water transportation service is provided by the Erie Canal and through the Port of Rochester.

Incorporated as a village in 1814 and as a city in 1834, Rochester is governed by a Mayor, who is directly elected by popular vote to a four-year term of office. As the chief executive officer and the administrative head of government, the Mayor is responsible for the administration of all City affairs, including the appointment of all department heads. The nine-member City Council is responsible for the legislative affairs of City government. Each Council member is elected to a four-year term; four by districts representing approximately one-quarter of the City’s area, and five by a city-wide vote. The members of City Council elect a President, who presides at Council meetings and ceremonial occasions, and who provides the Council with leadership in the drafting and passing of legislation.

The City provides a full range of municipal services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; community and economic development programs; recreational and cultural activities; water production and distribution; and refuse collection. The City of Rochester is also financially accountable for a legally separate school district which is reported separately within the City’s financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note I.A).

City Council is required to adopt a final budget no later than the close of the fiscal year, i.e. by June 30th. This annual budget, which is prepared on a departmental basis, serves as the foundation for the City of Rochester’s financial planning and control. Though the Mayor may transfer appropriations within a department, City Council must approve transfers between departments.



LOCAL ECONOMY

Throughout the 1900s, the presence of high-technology firms led to the City being known as a center for manufacturing in specialized industries such as photographic equipment, graphic innovation, optics, machine tooling, automotive products, and medical instrumentation. During this time, community leaders such as George Eastman sowed the seeds of education with the founding of the University of Rochester, healthcare with Strong Memorial Hospital and UR's School of Medicine, Dentistry, and Nursing, and arts with the Eastman School of Music.

The dominant feature of Rochester's economy during the previous 30 years has been the creative destruction of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers—particularly Kodak—employing highly skilled production workers, thousands of key scientists and technicians in research and development positions and many headquarters staff. As these companies restructured, the workers who left their employers have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half (57%) of employment was located in small and medium-sized firms of 1000 employees or less. Most of these firms had direct or indirect linkages to major Rochester firms like Kodak, Xerox or General Motors. By 2008, the share of employment in small and medium-sized firms had risen to about 80% (Center for Governmental Research "CGR" estimates from County Business Patterns data).

Eastman Kodak. Kodak's steady employment growth from the early part of the century through 1982 and the relative stability of Kodak product sales insulated the Rochester economy from the worst of national business cycle fluctuations, including the Great Depression. At its 1982 peak, the Eastman Kodak Company directly employed over 60,000, almost 14% of workers in the Rochester Metropolitan Statistical Area (RMSA). Due to Kodak's relatively high salaries, the company was responsible for 22% of the RMSA payroll. Another fifth of total MSA payroll could be attributed to suppliers of Kodak plus companies supported by the purchases of Kodak workers. In all, Kodak was likely responsible for nearly half of the metropolitan economy (CGR estimates).

Kodak's market position has changed dramatically in intervening years. Until the 1980s the company faced few competitors, particularly in the lucrative U.S. market. The quality of its products and the respect afforded its brand enabled the company to earn substantial profits. By the mid-1980s, Japanese competitor Fuji began to challenge Kodak's market position in the U.S. and across the world. Other companies such as 3M, Agfa and Konica also gained share at the expense of the market leaders. The rise of digital imaging broadened the threat to Kodak's film business in the 1990s, then decimated the firm's principal markets beginning in 2000 as digital imaging nearly replaced film.

Eastman Kodak filed for Chapter 11 Bankruptcy in January 2012. The City of Rochester, New York State and their economic development partners continue to work with Kodak and the tenants of Eastman Business Park to assist in every way possible. Meanwhile, attraction efforts continue to bring new businesses to Eastman Business Park and its existing vacant parcels. (Also SEE "Significant Announcements-Eastman Business Park" herein) Today, about 6,000 people work at Eastman Business Park; nearly half are employed by Kodak, while the remainder are employed by other companies that are located within the Park.

In September 2012, Kodak announced that it was considering abandoning its efforts to sell off its patent portfolio. This resulted from the failure of Kodak to sell the patents earlier in 2012 for the expected amount of \$2.5 billion. It is estimated that offers totaled \$200-\$300 million. The failure of Kodak to successfully auction off its patent portfolio created concern about Kodak's ability to successfully emerge from Chapter 11 bankruptcy. Then in December 2012, Kodak announced that it had agreed to sell the patents for more than \$500 million to a group that partnered in an additional offer. Combined with revenue from the sale of the Eastman Business Park power plant facility, Kodak has all the pieces in place to successfully emerge from Bankruptcy. In January 2012, Kodak also obtained a \$950 million, 18-month credit line from Citigroup so it could keep operating during the bankruptcy process. Kodak emerged from Bankruptcy on September 3, 2013.

Kodak's heirs. Kodak's legacy is also visible in the number of successful firms in the community that are remnants or spin offs of the photo firm. These firms include Exelis, Inc. (formerly ITT Space System Division), which purchased Kodak's Remote Sensing Systems unit and renamed the unit ITT's Space System Division; Champion Photochemistry Inc., a subsidiary of Champion Chemtech Ltd. which purchased Kodak's photochemicals business; Carestream Health Inc., a subsidiary of Onex Corporation's Onex Healthcare Holdings, Inc., which purchased various units of Kodak's healthcare business; Optimization Technology, which acquired Kodak's capital engineering, capitalized maintenance and construction units; Ultralife Corporation, which spun out of Kodak in 1991; and many others.

Economic Development

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

During the fiscal year ending June 30, 2013, the Department of Neighborhood and Business Development assisted 129 businesses which anticipated investing more than \$161 million in the community. These businesses currently employ 12,487 and project to create 1,081.5 new jobs over the next three years. These figures also include results that were obtained through the New York State Empire Zone Program which were counted this fiscal year having assisted 202 businesses.

The unemployment rate for the Rochester area as of June 2013 was 7.0% compared to the national average of 7.6% and the State average of 7.6%.

Significant Announcements

Eastman Business Park: The City has partnered with Eastman Kodak to market the parcels found in the Eastman Business Park (EBP) to prospective businesses. Available properties consist of vacant buildings as well as approximately 72 acres of vacant land found along West Ridge Road. The City along with its partners Monroe County, Empire State Development and Greater Rochester Enterprise assisted with the recent Cody Gate Ventures development that brought three new businesses to the area (Intrinsiq Materials, Quintel Technologies and Omni-ID). The development is anticipated to bring as many as 250 jobs and \$100 million total investment within our community (partially located within the City of Rochester). The Finger Lakes Regional Economic Development Council also designated this project as the region's number one priority in the REDC application process and received a total of \$2.4 million in 2012 for projects in the park. The City, along with its economic development partners, meets regularly to discuss potential development projects with EBP. In December 2012, Kodak reached an agreement with Illinois based Recycled Energy Development to purchase, upgrade, and operate the park's power plant facility. This will further increase the viability of the park, which continues to be a key asset to our community and the City in our efforts to attract new business development.

Midtown Redevelopment Project: This is a redevelopment partnership that will position Rochester for its future by significantly shaping the rebirth of the downtown core through major public and private investment, job creation and infrastructure development. At the heart of the project is the rehabilitation of the nearly 9-acre former Midtown Plaza into a mixed-use area designed to attract a critical mass of residents and 24/7 amenities that contribute to a vibrant live-work environment. Demolition work is complete and rehabilitation work has begun on the 1,800-vehicle underground garage and truck service tunnel and the development of the new street grid with seven development parcels. In December, 2012, The Midtown Tower portion of the project was awarded \$4 million through the New York State Regional Economic Development Council funding application process. Buckingham Properties has taken over as primary developer for the project and has scaled back the scope to include 160 to 180 apartments and three to five floors of commercial space.

The City of Rochester announced in November 2011 the details of a long term lease agreement with Windstream Corporation that will bring hundreds of employees to the site and create approximately 200 construction jobs. The existing structure of the former Seneca Building will be reused, developed and owned by the Pike Development Company. Under the terms of the deal, Windstream will sign a 15-year lease agreement for a downtown office that will have the capacity for up to 335 employees. The shell of the Seneca Building was preserved during the demolition at the Midtown Plaza site to accommodate this type of adaptive reuse. Construction of the project started in March 2012. Occupancy began in August, 2013. The Windstream project will be the first new project developed in the revitalized Midtown site. This project, together with the tunnel, garage and site development, will generate significant construction jobs in the coming years.

Sibley Building Redevelopment: In the fall of 2012 the City of Rochester reached an agreement with Winn Development LLC of Boston, Massachusetts to purchase and redevelop the former Sibleys Department Store. As part of the agreement, Winn assumes a \$3.1 million loan granted by the City to the previous owner Rochwil Associates LP, who will continue to pay off nearly \$20 million in outstanding taxes and fees. The project will include six floors of apartments in the upper stories with the remainder of the building reserved for office, retail and commercial uses. The Sibley Building redevelopment will be pivotal in the continuing resurgence of downtown, helping link the popular East End district to the Midtown Site.

College Town Project: In December 2012, the College Town Project was awarded \$4 million through the New York State Regional Economic Development Council funding application process. The project consists of the construction of a large mixed use development adjacent to the University of Rochester's campus that will include a pedestrian friendly retail district with traffic calming street design, a hotel/conference center, and a prominent Barnes and Noble on the corner of Elmwood and Mt. Hope. Upper stories of retail buildings will house apartment and office space. The project will create nearly 1,000 construction jobs and an estimated 582 permanent jobs with nearly \$70 million in private investment. On May 2, 2013 Mt Hope community members joined with government leaders, project partners and University of Rochester officials to celebrate the groundbreaking of College Town.

Bausch and Lomb: Valeant Pharmaceuticals finalized the acquisition of Bausch and Lomb in June 2013. In a statement released by Valeant on July 29th, 2013, the company announced that they would be maintaining the Bausch and Lomb brand and moving the company headquarters to New Jersey. Bausch and Lomb was founded in Rochester in 1853 and has served as its headquarters for the 160 years since. Specializing in eye care products and lens technology, the company has enjoyed success in these markets and significant brand recognition worldwide. In 1995 the company constructed a modern office tower headquarters that became a centerpiece for the downtown business district. However, the company has been marketing the tower for more than two years as it has transitioned its workforce to its N. Goodman Street facility.

Valeant also announced that it plans to lay off 10 to 12% of Bausch and Lomb workforce worldwide, including as many as 1,200 local jobs. It will however, continue contact lens manufacturing operations at the N. Goodman Street facility. Local business leaders have expressed concern about the ability of the area job market to absorb the high volume of newly unemployed, but are rallying their forces to hire Bausch and Lomb's highly qualified employees.

On July 31, 2013, a team of New York government officials sent a letter to the Valeant CEO expressing their indignation over the headquarters being moved from Rochester and the related layoffs. The group included Senators Charles E. Schumer and Kirsten Gillibrand, New York Governor Andrew Cuomo, Representatives Louise Slaughter and Dan Maffei, Monroe County Executive Maggie Brooks, and Rochester Mayor Tom Richards.

Sports

The City is home to numerous professional sports teams: the Rochester Red Wings, AAA farm team of the Minnesota Twins; the Rochester Americans, American Hockey League farm team for the Buffalo Sabres; the Rochester Knighthawks of the National Lacrosse League (indoor); the Rochester Rattlers of the Major Lacrosse League (outdoor); the Rochester Razorsharks of the American Basketball League; the Rochester Raging Rhinos of the United Soccer League; and the Rochester Lancers indoor soccer league, which began playing at the Blue Cross Arena/War Memorial in November 2011. The Rochester area also recently added the ROC City Thunder, a professional indoor football team that plays at RIT's Gordon Field House, as well as the Rochester Dragons, a professional ultimate disc team that plays at Webster Schroeder High School. Both new teams travel and play in competitive leagues in the northeast.

Frontier Field. Home of the Rochester Red Wings, Frontier Field is a 12,500 seat, multi-use stadium located in downtown Rochester that opened its doors to the public in July 1996. The stadium is expandable to 18,000 seats with 4,000 box seats, 4,000 general admission and 500 premium seats in the form of 36 luxury sky boxes.

Sahlen's Stadium. The Rochester Raging Rhinos and Rochester Rattlers play at Sahlen's Stadium. This multi-use outdoor stadium seats 13,768. It opened in June 2006 in downtown Rochester.

Golf. The Greater Rochester area offers over 80 golf courses, among them the nationally ranked Oak Hill Country Club. Arguably one of the most prestigious golf courses in the country, Oak Hill has earned the top spot in Golf World magazine's course rankings, followed by Augusta National. Oak Hill has hosted numerous major tournaments including two US Amateurs, three US Opens, the PGA and Senior PGA and the Ryder Cup. Oak Hill will once again host the PGA Championship in 2013. Additionally, Wegmans Food Markets hosts an annual LPGA tournament.

Annual Festivals

Spring in Rochester is the beginning of numerous annual festivals. Nearly every weekend showcases at least one major event. Many of these annual festivals attract international visitors e.g. the Lilac Festival in May, the Rochester International Jazz Fest in June, the Corn Hill Arts Festival in July, the Park Avenue Festival in August, and Greentopia Fest, the Rochester Fringe Festival and the Memorial Art Gallery's Clothesline Festival in September.

Originally established in 2002, the Xerox Rochester International Jazz Festival has emerged as one of the community's showcase events. In 2013, the 12th annual festival set records as it presented more than 300 concerts at 19 venues. With a continued emphasis on international breadth, the festival featured musicians from 17 countries including the U.S., Canada, Sweden, Finland, Norway, Denmark, Israel, Portugal, Cuba, England, Scotland, Jamaica, Korea and more. Its nine day presence in Rochester's East End cultural district drew more than 195,000 people to the performances.

In September of 2013, High Falls was once again the host of the free, two-day Greentopia EcoFest, which celebrated and educated the public on all things "Green." In its second year, the 2012 Greentopia Festival expanded from the weekend's EcoFest to a six day multi-faceted event that included film, an educational summit, music offerings, and more. The event attracted more than 23,000 visitors to the area.

Also in September of 2013, Rochester held its second annual First Niagara Rochester Fringe Festival. The festival uniquely celebrates Rochester's rich performing arts culture. Its presence has enabled Rochester to join the ranks of other world-class cities with Fringe Festivals, such as New York City, Philadelphia, Toronto, Chicago, Los Angeles and Edinburgh, Scotland.

Exports

International trade by area exporters continues to be a significant component of the economic activity of the Rochester area. Rochester is the second largest exporting area in the State (New York City is the largest).

Educational Resources

Metropolitan Rochester is an educational and cultural center. Located within Monroe County are the University of Rochester (including its Medical Center, affiliated healthcare facilities and its Eastman School of Music), employing approximately 20,000 people full and part time, Roberts Wesleyan College, the State University College at Brockport, Nazareth College, St. John Fisher College, Rochester Institute of Technology and Monroe Community College. These schools had 48,752 full time and 12,303 part time students enrolled in the fall of 2012.

University of Rochester. As of the end of 2009, the University was responsible for 23,000 jobs, (over 20,000 estimated full time equivalent positions). A significant share of the University's growth has occurred at the University of Rochester Medical Center as Strong Health extends clinical service penetration beyond the metropolitan area and URMC expands its research facilities and total employment. Educational and health services employment is now 23% of total nonagricultural employment in the Rochester metropolitan area.

The University of Rochester attracted more than \$1.6 billion in research funding over the past five years, supporting thousands of highly skilled workers.

Beginning in 1996, the University's Medical Center has executed a series of strategic plans that have dramatically expanded the physical footprint and economic impact of the institution. The current plan—a \$50 million expansion announced in 2007—is proceeding more slowly than anticipated in response to the economic downturn. The plan calls for new technology, additional facilities, more jobs, new research equipment and marketing of the medical center. A key building component of the plan includes a \$56 million, 150,000-square-foot Clinical and Transitional Sciences Building which is expected to create 300 jobs. The expanded research effort is expected to lift the University of Rochester to a place among the nation's top 15 medical schools in federally-funded medical research.

In late 2011, the University of Rochester announced plans for a new mixed-use project called Mt. Hope College Town. The project consists of a \$97 million redevelopment of a 16-acre site adjacent to the U of R campus. The development will create 380,000 sq. ft. of new commercial office, retail, and residential space. The project is a joint venture among U of R, Gilbane Development and Fairmont Properties.

Waterfront Development

Port of Rochester: The City is in the process of completing the Environmental Impact Statement and engineering design for a new 6.8 acre, 157 slip, public marina facility near the confluence of Lake Ontario and the Genesee River. Surrounding the marina will be a new public promenade connecting the River Trail to the Charlotte Pier. The marina development enhances the recreational nature of the Port and creates exciting opportunities for 280-430 new residential units and with complimentary new commercial and retail space. Together with the City's Port terminal docking facilities, restaurant and retail development of the Port Terminal Building, visits by Great Lakes cruise ships, and the Port's existing attractions and events, the marina development project will strengthen the Port of Rochester's reputation as a Great Lakes destination.

Brooks Landing: In 2010, Phase 1 of the Brooks Landing project was completed across the Genesee River from the University of Rochester and included a new public waterfront landing/promenade; a new 80-unit Staybridge Hotel on the waterfront; a neighborhood retail cluster including both new construction and rehabilitated structures; a new 28,000 sq. ft. commercial office/retail building; and the new 120-unit Riverview Apartment complex (U of R student housing). The second phase of the project began construction in July 2013. This phase includes: a new twelve story mixed-use building just north of the hotel to include a restaurant on the first floor and student housing on the above ten floors; and an adjacent new 4,000 sq. ft. one story commercial building. The second phase is expected to be completed in 2014.

Center City

Rochester's Center City is continuing its growth and development as the hub of business, government, cultural, sports, entertainment and educational activities for the entire region.

The development follows the vision of the award winning Center City Master Plan, adopted in 2003 and currently being updated for 2014. The plan presents a new way of thinking about downtown Rochester, extending beyond the traditional Inner Loop expressway barrier, and focusing on development objectives and design guidelines for the "Center City" streets, neighborhoods and districts.

To foster investment and revitalization of the Center City, the City adopted several programs to attract business and residents. The Main Street Assistance Program allows the City to provide financial assistance in the Center City through an array of

flexible terms including low interest loans, grants, interest rate subsidies and job growth credits. To spur investment in downtown market-rate residential development, the City adopted property tax exemption programs for both rental and owner-occupied units.

Private and public sector investment in the Center City has been significant over the past six years. Since July 1, 2006, over 450 rental units have come online and 56 owner-occupied units created. Over \$400 million in Public-Private investment has been undertaken in Center City since 2006. Nearly \$150 million in investment is currently underway. The Center City has a weekday workforce of 50,000 and approximately 5,000 people now living downtown. It is anticipated that over 200 residential units will be created within the next two years in Center City.

A number of mixed-use residential projects have been completed over the past 12 months in the Center City.

44 Exchange Street – This former 65,000 square foot office building has been vacant for almost a decade and is currently being renovated for a mix of 29 apartments and first floor commercial space. The developer plans to convert the apartments to for-sale condominiums after 5 years. The project investment was over \$6 million and was completed in late summer 2012.

Bridge Square – The renovation of this former historic downtown high school building for a mix of residential, commercial and restaurant space was completed in February, 2013. The \$6.7 million project created 20 new loft residential apartments, the new headquarters for Passero Associates, and a new restaurant.

A number of noteworthy projects in the Center City District are currently underway or proposed.

111 East Ave- The project consists of the renovation of an existing apartment complex in the popular East End district to update unit interiors and building infrastructure.

250 East Ave- The project consists of the acquisition and renovation of the 6,300 sq. ft. building to create two residential units and one office space. Project also involves the construction of an ancillary parking garage underneath the building. Construction is slated to be complete in fall 2013.

Academy Building – The \$6.7 million renovation of this historic vacant building in the heart of the government district commenced in July 2012 for 21 loft apartments and first floor commercial restaurant uses.

Windsor Gate Townhomes – Construction is underway for 5 new townhomes in the historic Grove Place Neighborhood. The cost for this project is approximately \$1.6 million and will be completed in summer 2013.

North Plymouth Terrace – This new construction townhouse project will create 27 new market rate owner-occupied units on a former surface parking lot. The cost for this project is \$5.5 million. Six units have been completed to date and construction has begun on the next phase of the project. Construction completed in June on an adjoining new commercial building that includes a first-floor post office and upper-floor office space.

Windstream Building – Renovation of the Seneca Building at the former Midtown Plaza property is in its final stages. The Pike Company (building owner) renovated the 100,000 square foot building for a cost of \$19 million. The Windstream Corporation will occupy the first two floors and bring 335 employees to its new downtown location beginning in August 2013.

Midtown Plaza Redevelopment – The asbestos and demolition phases of the former 1.5 million square foot Midtown Plaza has been completed by the State of New York for an approximate cost of \$43 million. The City is currently undertaking the infrastructure phase of the project, which consists of reconstruction of the underground service tunnel entrance, garage rehabilitation, utilities, new streets and open space improvements. The cost for the public infrastructure phase is over \$40 million and will be completed in spring 2014.

Midtown Tower – This 17 story building was one of two building shells retained on the former Midtown Plaza site. The City is currently working with the development team of Buckingham Properties and Morgan Management to renovate the building for three to five stories of commercial, retail and restaurant uses and 160 to 180 apartments. The project cost is approximately \$55 million. On December 20, 2012 the project was awarded \$4 million through the New York State Regional Economic Development Council application process.

88 Elm Street – This vacant 12 story, 88,000 square foot City-owned building is in the Midtown Urban Renewal District. The City completed over \$1 million in asbestos abatement and new roof construction on the building. The City issued a request for proposals for the building in summer 2013. There has been significant interest in the building from the development community.

RGRTA Transit Center – The regional transit authority began construction of a \$50 million downtown transit center in the November 2012. RGRTA customer bus transfers currently occur on East Main St between St. Paul Street and Clinton Avenue. This service will be transferred to the new enclosed facility that will offer convenience and protection from the weather for the

bus customers. This will also have significant positive impacts for downtown Rochester by allowing more on-street parking for downtown visitors patronizing Main Street businesses. The project will be completed in 2015.

Sibley Building – This former department store building includes over 1 million square feet and is primarily vacant. The current tenants include the Monroe Community College and some retail and commercial businesses. In October 2012, the City announced approval of a plan to transfer ownership of the Sibley Building to Winn Development, a Boston-based real estate developer. Initial total investment is approximately \$10 million for retail and commercial uses with additional investment planned for the housing portion of the project.

Hilton Garden Inn – DHD Ventures purchased several historic properties at the corner of Stone and E. Main Street and are moving forward with plans to renovate the buildings for a new Hilton Garden Inn. The investment for the project is approximately \$16 million.

Charlotte Street Housing – Graywood LLC has proposed construction of a mix of student, rental and owner occupied housing units on vacant land owned by the City of Rochester in the heart of the popular East End District.

Cox Building - This historic building, located in the St. Paul Quarter, will be converted to 70 loft apartments with lower floor commercial and retail space. The project will cost approximately \$15 million and construction began in 2012.

Intermodal Train Station – The City was awarded \$15 million in Federal funding for the construction of a new \$26 million train station serving the Rochester region. New York State Department of Transportation has taken over the project and is moving forward with designs developed by the City.

Inner Loop East – The City has proposed the removal of a portion of the Inner Loop on the eastern edge of downtown. The Inner Loop is a grade separated expressway surrounding downtown that was constructed over 50 years ago. Portions of the Inner Loop are considered a barrier to downtown from surrounding neighborhoods. The proposed \$22 million project would bring a portion of the expressway to grade, reduce the width of the road and create new vehicular and pedestrian connections from the popular Alexander St. and Park Ave. neighborhoods into downtown. The project would also create significant ready-to-build development acreage in one of the region’s most popular districts.

Investment in Residential Areas

In addition to investments in business development, the City is devoting the major share of its Community Development Block Grant (CDBG) program to the improvement of residential neighborhoods. According to the table following, the City has allocated \$325.9 million, or 66% of total federal allocations and program income, to the City's residential areas since the inception of the CDBG Program in 1975.

Community Development Block Grant/Consolidated Program
(in Millions)

| | <u>Allocation Through 06/30/14</u> |
|---|--|
| Residential neighborhoods | \$325.9 |
| Business development | \$84.8 |
| Urban renewal completion | \$15.8 |
| Planning, management and administration | <u>\$58.0</u> |
| TOTAL: | <u>\$494.1</u> |

Rochester's Consolidated Community Development Program, which began in July, 1975, is a major source of funds for the City's revitalization efforts. The original Community Development Program was established as a result of the Federal Housing and Community Development Act of Consolidated Community Development Program. The amount of the annual grant is determined by a statutory formula that uses several objective measures of community need.

The 2013-14 Program is based upon a citizen participation process that identified needs and priorities and the City's recently updated Housing Policy. The new Housing Policy guides the allocation of federal and other resources available to the City to address priority housing needs and specific objectives. The goals and policy priorities adopted by the administration also guided the development of the program.

The expected outcomes of the program focus on the provision of decent housing, a suitable living environment and expanded economic opportunities for all citizens.

In support of these goals, the objectives and dollar allocations of the \$13 million program are i) promote economic stability, job creation and development by encouraging private investment in neighborhood commercial, service, manufacturing and wholesale activities and improve the accessibility of City residents to existing and newly created economic opportunities (\$1,505,000), ii) improve the housing stock and general property conditions through rehabilitation, redevelopment and new construction of housing, homeowner assistance, rental market support, housing choice and neighborhood and asset based planning (\$9,343,626), iii) respond to general community needs by providing and leveraging resources to improve the efficiency, quality and access to existing services with a particular focus on the homeless, early childhood education, neighborhood safety and effective use of community facilities (\$1,705,400).

An example of the impact of these investments is represented by the Housing Occupancy Initiative, funded by the CDBG and HOME Program, which was developed in response to concern over the growing number of vacant residential properties in the City and the declining number of owner-occupant homeowners. Since its inception in 1993, this initiative has addressed more than 6,500 vacant houses through either demolition (3,013), or rehabilitation/reoccupation programs (3,000), and created 488 new single-family homes for owner-occupants.

Since June 1994, 1,654 rental units have been added to the inventory and an additional 1,859 units have been renovated with these two sources of funding.

LONG-TERM FINANCIAL PLANNING

Over the past 10 years, and before, the City has been able to maintain a stable unreserved, undesignated fund balance in the general fund at approximately one percent of total general fund revenues. That balance as of June 30, 2013 was \$4,870,000 and is classified as unassigned general fund balance, as required under GASB 54,

As a planning tool for long-term financing, and the annual budget process, the City prepares a five-year capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain stable level of debt service. Also, the City Charter allocates the 9% New York State constitution debt limit between the City and the District — 5½% for municipal purposes and 3½% for educational purposes.

RELEVANT FINANCIAL POLICIES

In recognition of the level of state and federal education aid, and the City of Rochester's record of providing a higher level of per capita education support than other major New York cities, the City Charter fixes the coterminous Rochester City School District's share of local tax revenue at \$119.1 million per year.

City Council annually adopts a resolution establishing a debt limit. The debt limit for tax-supported borrowing is equal to the amount of principal on outstanding debt to be redeemed during the fiscal year for which the limit is established. Exceptions to this policy are to be approved only for projects and purposes which could not reasonably be foreseen and, if not approved, would result in an obvious public danger or economic loss; and projects and purposes for which the debt issued therefore would be self-supporting.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the twenty-ninth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this, report, the 2013 Comprehensive Annual Financial Report, continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Finally, I would like to thank the Mayor and the members of the City Council for continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Brian L. Roulin". The signature is written in a cursive style with a prominent flourish at the end.

Brian L. Roulin, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Rochester
New York**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

CITY OF ROCHESTER, NEW YORK
MAYOR AND CITY COUNCIL OFFICIALS
June 30, 2013

Thomas S. Richards, Mayor

Lovely A. Warren (Northeast District), President

Dana K. Miller (At-Large), Vice President

◇◇◇

Adam C. McFadden (South District)

Carolee A. Conklin (At-Large)

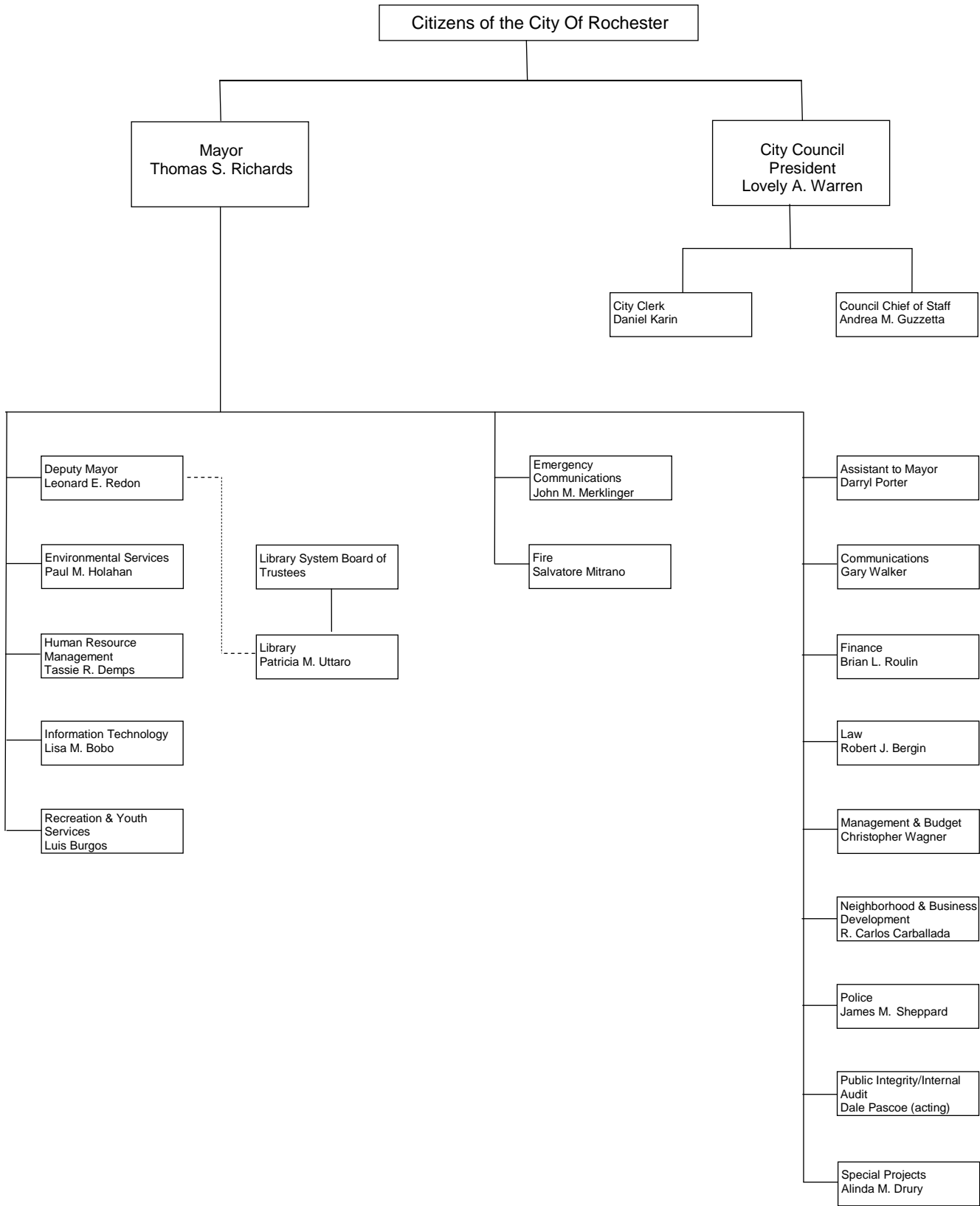
Elaine M. Spaul (East District)

Carla M. Palumbo (Northwest District)

Matt Haag (At-Large)

Loretta C. Scott (At-Large)

Jacklyn Ortiz (At-Large)



CITY OF ROCHESTER, NEW YORK
ORGANIZATIONAL UNITS AND OFFICIALS
June 30, 2013

Mayor Thomas S. Richards

Deputy Mayor Leonard E. Redon

Assistant to Mayor Darryl Porter

City Clerk Daniel Karin

City Council Chief of Staff..... Andrea M. Guzetta

Management & Budget..... Christopher Wagner

Communications Gary Walker

Human Resource Management..... Tassie R. Demps

Public Integrity/Internal Audit..... Dale Pascoe (acting)

Special Projects Alinda M. Drury

Emergency Communications John M. Merklinger

Environmental Services Paul M. Holahan

Finance Brian L. Roulin

Fire Salvatore Mitrano

Information Technology..... Lisa M. Bobo

Law Robert J. Bergin

Library Patricia M. Uttaro

Neighborhood & Business Development.....R. Carlos Carballada

Police James M. Sheppard

Recreation & Youth Services Luis Burgos

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
The City of Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information of the City of Rochester, New York (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rochester, New York, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule and the schedule of funding progress for retiree health plan on pages 20-30, 67-69 and 70 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 City's basic financial statements. The supplemental information, as listed in the table of contents, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, and the other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information, as listed in the table of contents, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, as listed in the table of contents, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
December 26, 2013

As management of the City of Rochester, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2013. In this section, all amounts are expressed in thousands of dollars, unless otherwise indicated.

For the management discussion and analysis for the Rochester City School District please see the separately issued Comprehensive Annual Financial Report of the District for the year ended June 30, 2013.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by \$776,719 (net position).
- The City's total net position increased by \$27,303.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$258,010, an increase of \$89,738 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,870, or 1.1% of total general fund expenditures.

The City's total outstanding debt increased by \$32,690 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rochester's basic financial statements. The City of Rochester's basic financial statements are comprised of 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, such as budgetary comparison.

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

The *statement of net position* presents information on all of the City of Rochester's assets, liabilities, and deferred inflows/outflows 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 City of Rochester is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Rochester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rochester include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Rochester include a water utility, parking garage and lot operations, an arena at the War Memorial, residential and commercial refuse collection services, two cemeteries, and the public market.

The government-wide financial statements include not only the City of Rochester itself (known as the *primary government*), but also a legally separate school district. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

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 City of Rochester, 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 City of Rochester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Rochester maintains fifteen 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, debt service fund, general capital projects fund, transportation capital projects fund, and the community development special revenue fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The financial statements for governmental funds can be found in the Basic Financial Statements, which is the following section.

Compliance with the City's annual operating budget for the year ended June 30, 2013, which includes the General Fund as well as certain special revenue and enterprise funds, is reported in *Combining Schedule of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual - General, Certain Special Revenue and Enterprise Funds - Non-GAAP Budget Basis* which is provided as Required Supplemental Information following the Notes to the Financial Statements.

Proprietary funds. The City of Rochester maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rochester uses enterprise funds to account for its Water, Parking, War Memorial, Refuse, Cemetery, and Public Market. The *internal service fund* is used to account for general liability risk management. Because general liability risk management predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Parking, War Memorial, Refuse, Cemeteries and Public Market operations, which are considered to be major funds of the City of Rochester. In addition, the internal service fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found in the Basic Financial Statements section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Rochester'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 in the Basic Financial Statements section of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found in the section following the Basic Financial Statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$776,719 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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.

City of Rochester's Net Position
 (000's Omitted)

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 394,796 | \$ 344,106 | \$ 70,186 | \$ 66,961 | \$ 464,982 | \$ 411,067 |
| Capital assets | 675,603 | 656,895 | 274,545 | 273,334 | 950,148 | 930,229 |
| Total assets | 1,070,399 | 1,001,001 | 344,731 | 340,295 | 1,415,130 | 1,341,296 |
| Long-term liabilities outstanding | 414,796 | 301,385 | 104,972 | 72,226 | 519,768 | 373,611 |
| Other liabilities | 96,311 | 165,348 | 22,332 | 52,921 | 118,643 | 218,269 |
| Total liabilities | 511,107 | 466,733 | 127,304 | 125,147 | 638,411 | 591,880 |
| Net position: | | | | | | |
| Net investment in capital assets | 547,613 | 552,846 | 187,190 | 183,329 | 734,803 | 736,175 |
| Restricted | 168,975 | 83,543 | 18,456 | 21,454 | 187,431 | 104,997 |
| Unrestricted (deficit) | (157,296) | (102,121) | 11,781 | 10,365 | (145,515) | (91,756) |
| Total net position | \$ 559,292 | \$ 534,268 | \$217,427 | \$215,148 | \$ 776,719 | \$ 749,416 |

The City's total net position increased by \$27,303, as a result of an increase of \$25,024 in the net position of governmental activities as well as an increase of \$2,279 in the net position of business-type activities. A portion of the City's net position (24.2 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in the categories of Net investment in capital assets, net of related debt, and Restricted. This was true for both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. As noted above, Governmental activities net position increased by \$25,024. Key components of this change are summarized as follows:

City of Rochester's Changes in Net Position

(000's Omitted)

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 98,399 | \$ 63,527 | \$ 78,265 | \$ 75,188 | \$ 176,664 | \$ 138,715 |
| Operating grants and contributions | 70,831 | 31,754 | - | - | 70,831 | 31,754 |
| Capital grants and contributions | 30,137 | 23,008 | - | - | 30,137 | 23,008 |
| General revenues: | | | | | | |
| Property taxes | 147,218 | 146,698 | 1,998 | 2,330 | 149,216 | 149,028 |
| Sales and other taxes | 153,772 | 159,350 | 905 | 679 | 154,677 | 160,029 |
| Governmental aid | 120,271 | 104,323 | 7 | 160 | 120,278 | 104,483 |
| Other | 12,850 | 3,561 | 1,148 | 2,017 | 13,998 | 5,578 |
| Total revenues | 633,478 | 532,221 | 82,323 | 80,374 | 715,801 | 612,595 |
| Expenses: | | | | | | |
| General government | 119,387 | 102,200 | - | - | 119,387 | 102,200 |
| Police | 143,722 | 128,413 | - | - | 143,722 | 128,413 |
| Fire | 82,560 | 69,022 | - | - | 82,560 | 69,022 |
| Emergency communications | 23,218 | 19,281 | - | - | 23,218 | 19,281 |
| Transportation | 4,094 | 8,098 | - | - | 4,094 | 8,098 |
| Environmental services | 43,419 | 36,819 | - | - | 43,419 | 36,819 |
| Recreation and youth services | 18,818 | 18,225 | - | - | 18,818 | 18,225 |
| Library | 13,958 | 13,143 | - | - | 13,958 | 13,143 |
| Neighborhood business development | 41,888 | 34,908 | - | - | 41,888 | 34,908 |
| Interest on long term debt | 3,664 | 3,071 | - | - | 3,664 | 3,071 |
| Education | 119,100 | 119,100 | - | - | 119,100 | 119,100 |
| Water | - | - | 33,206 | 31,960 | 33,206 | 31,960 |
| War memorial | - | - | 2,696 | 2,590 | 2,696 | 2,590 |
| Parking | - | - | 7,580 | 11,463 | 7,580 | 11,463 |
| Cemetery | - | - | 3,016 | 2,118 | 3,016 | 2,118 |
| Public market | - | - | 789 | 1,557 | 789 | 1,557 |
| Refuse | - | - | 27,383 | 26,637 | 27,383 | 26,637 |
| Total expenses | 613,828 | 552,280 | 74,670 | 76,325 | 688,498 | 628,605 |
| Excess (deficiencies) of revenues over expenses | 19,650 | (20,059) | 7,653 | 4,049 | 27,303 | (16,010) |
| Transfers | 5,374 | 3,697 | (5,374) | (3,574) | - | 123 |
| Adjustment (See note I. G. 7) | - | (28,452) | - | - | - | (28,452) |
| Increase (decrease) in net assets | 25,024 | (44,814) | 2,279 | 475 | 27,303 | (44,339) |
| Net position - beginning (as restated) | 534,268 | \$ 579,082 | 215,148 | 214,673 | 749,416 | 793,755 |
| Net position - ending | \$ 559,292 | \$ 534,268 | \$ 217,427 | \$ 215,148 | \$ 776,719 | \$ 749,416 |

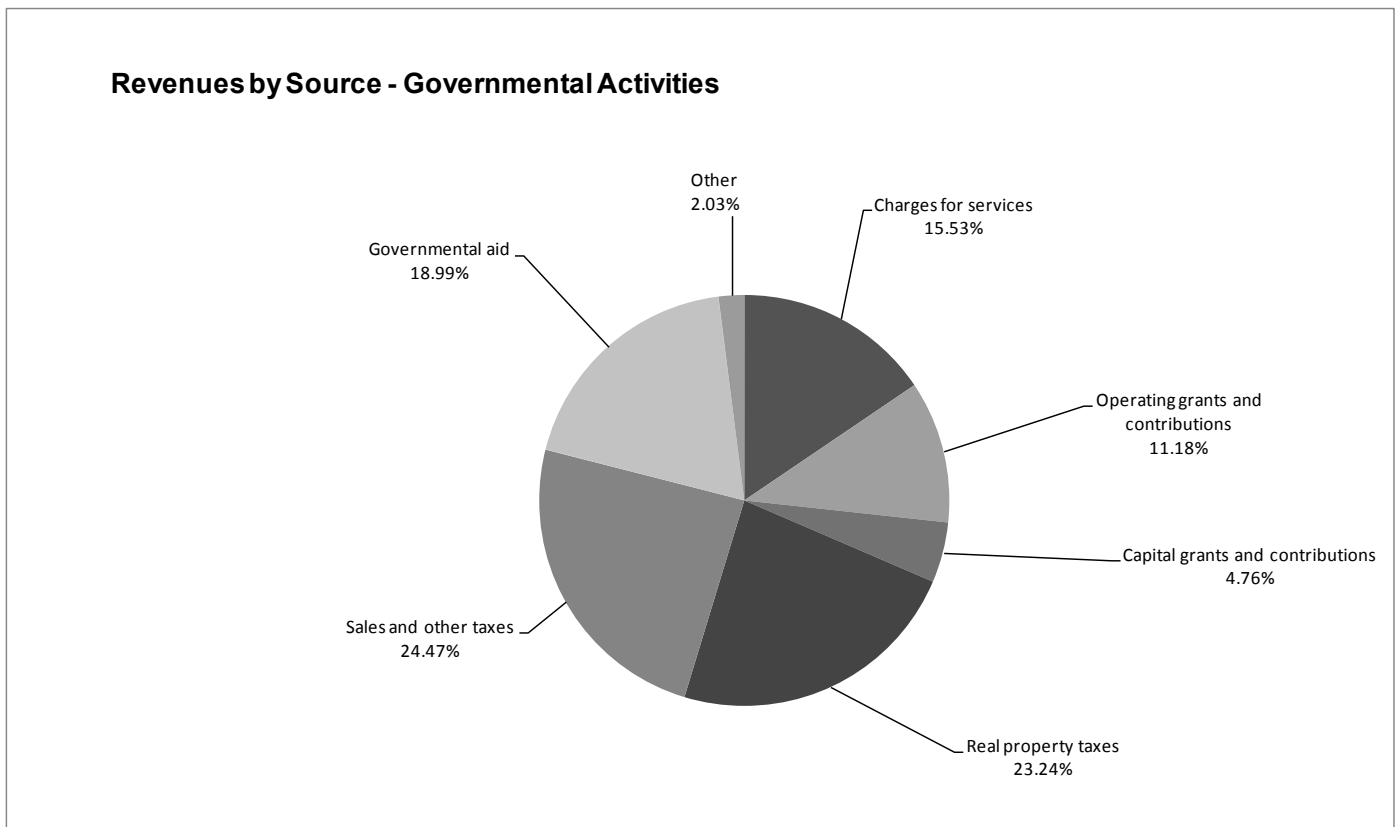
Governmental activities revenue highlights.

The major factors contributing to the overall revenue increase of \$101,257 were:

- Operating grants and contributions increased \$39,077 due primarily to an increase in reimbursable spending under various state and federal grants;
- Charges for services increased \$34,872, primarily due to a \$28,537 increase in the internal service fund for the City's transition to self-insured medical care and an increase of \$2,748 in charges for emergency communications;
- Governmental aid increased \$15,948 primarily due to a \$15,324 increase in NYS aid and a \$490 increase in federal aid;
- Various other revenue sources increased \$9,289, due to an increase in miscellaneous revenues of \$10,784, offset by a decrease in investment revenues by \$1,495;
- Capital grants and contributions increased by \$7,129, principally because of a \$5,731 increase in capital funding, a \$927 increase in grants for land acquisition, and a \$479 increase for construction improvements, offset by various other decreases; and
- Property tax revenue increased \$520.

The above increases of \$106,835 were partially offset by the following decreases which total \$5,578:

- Sales, and other taxes decreased \$5,578;



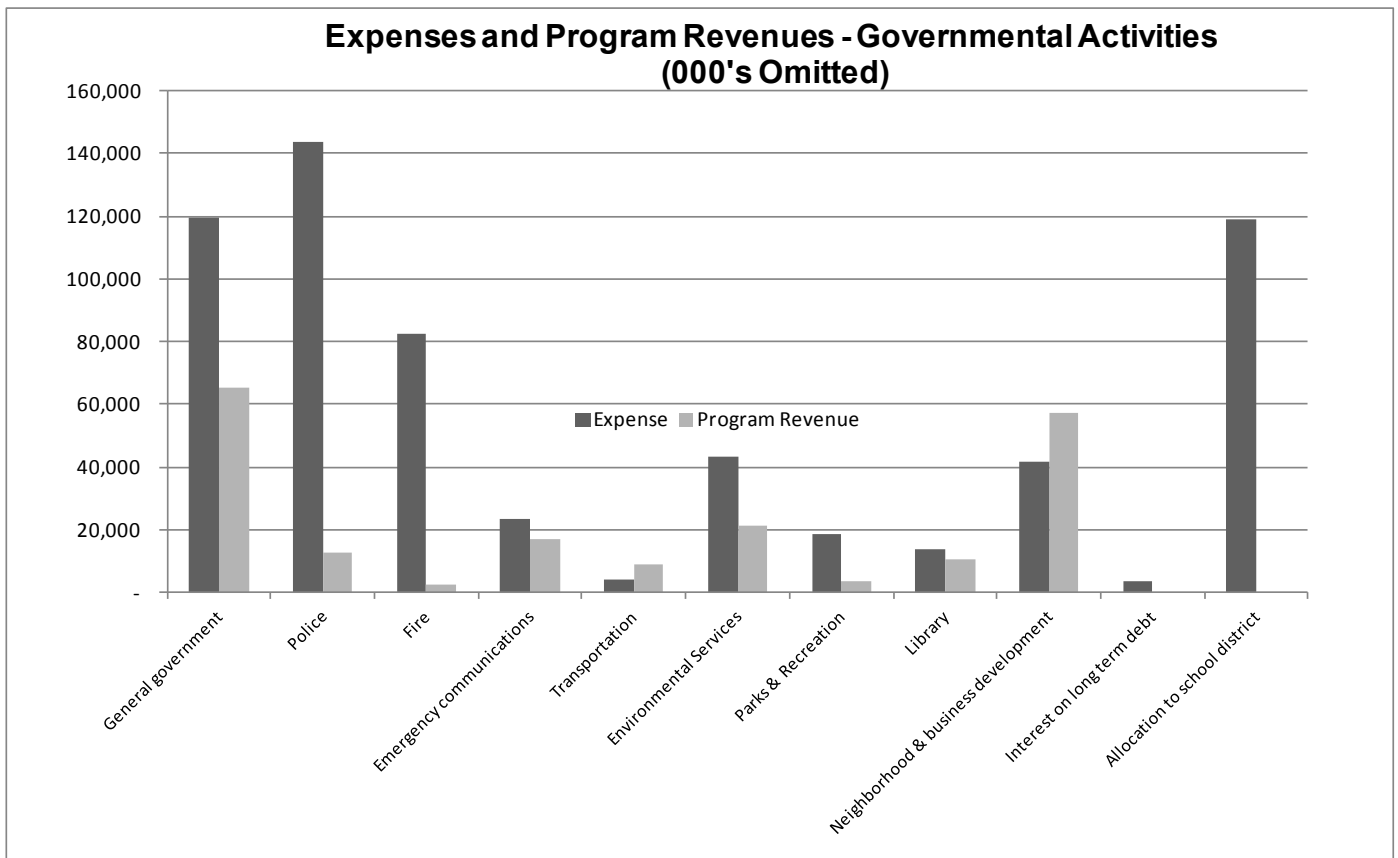
Governmental activities expense highlights.

The major factors contributing to an overall increase in general government expenses of \$61,548 were as follows:

- General government expenses increased \$17,187 primarily due to a \$15,323 increased in New York State retirement costs and a \$5,481 increase in the Midtown development project, which were offset by various other project decreases;
- Police expenses increased \$15,309 primarily due to a 12,164 increase in fringe benefits;
- Fire expenses increased \$13,538 mainly due to a \$7,485 increase in fringe benefit costs as well as \$6,283 increase in expense in foreign fire insurance fund due to a settlement, offset by various other decreases ;
- Neighborhood and business development expenses increased \$6,980 majorly due to a \$6,038 increase in HUD grant expenses;
- Environmental services expenses increased \$6,600 substantially due a \$3,135 increase in Mt. Hope Ave improvements, a \$2,467 increase in fringe benefits, and a \$436 increase on preventative maintenance on the Public Safety Building;
- Emergency communications expenses increased \$3,937 primarily due to a \$2,010 increase in fringe benefits, a \$1,438 increase in OPEB expense, and \$119 increase in overtime expense;
- Library expenses increased \$815;
- Interest on long term debt increased \$593; and
- Recreation and youth services expenses increased by \$593.

The above increases which total \$65,552 were partially offset by decreases of \$4,004 as follows:

- Transportation expenses decreased \$4,004, primarily due to a \$2,100 decrease in spending on the Culver Road improvement project as well as a \$1,411 decrease in sidewalk maintenance.



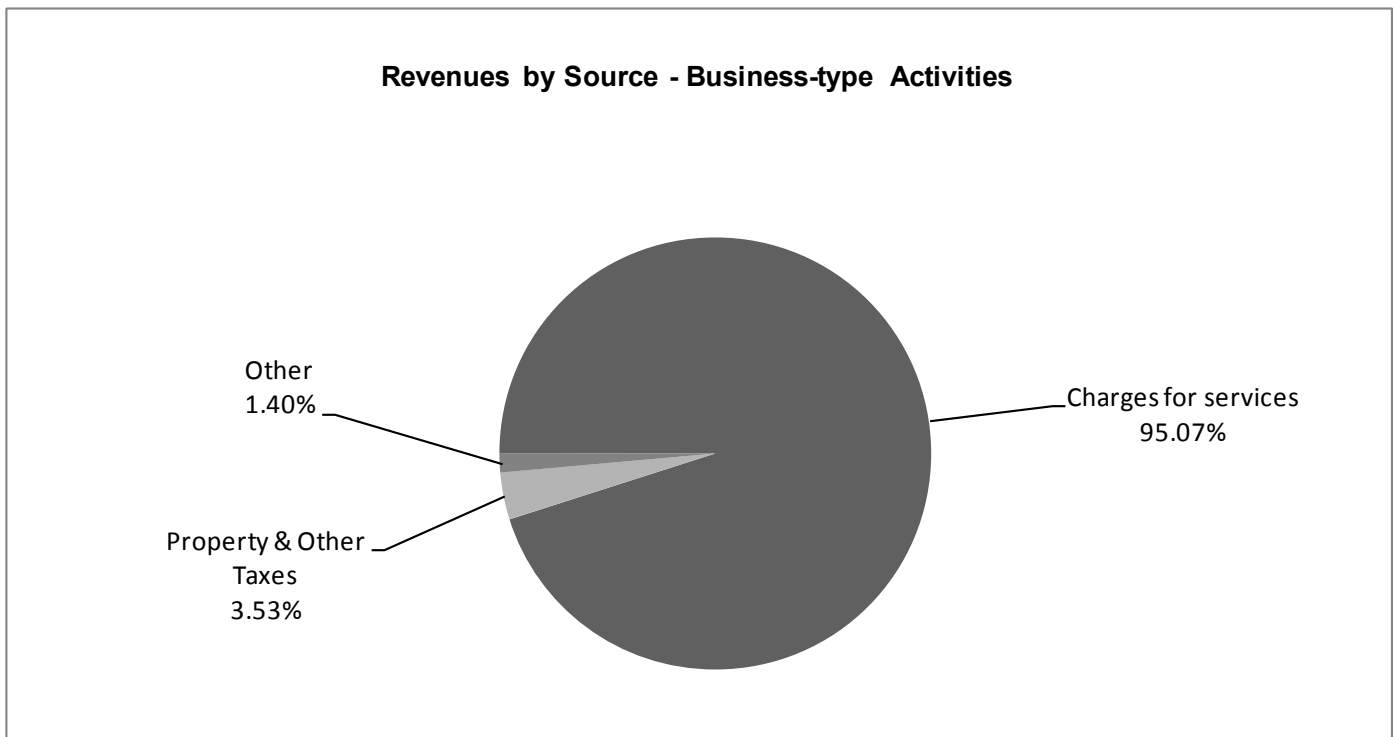
Business-type activities revenue highlights.

Revenues for business-type activities showed an overall increase of \$1,949.

- Service charge by business-type funds increased by \$3,077 primarily due to a \$1,460 increase from higher water rates, as well as parking fund revenue increases of \$441 due to fines, \$216, \$116, and \$109 from the South Ave, Court Street, and High Falls Garages respectively, as well as the following increases; \$397 cemetery revenue, \$44 public market revenue, \$15 increase in war memorial revenue; and
- The share of the receipts of sales and other taxes increased by \$226.

These increases amounting to \$3,303 were partially offset by revenue decreases of \$1,354 in the following categories:

- Other revenues decreased \$869; due to a decrease in miscellaneous revenues of \$525 and a decrease in investment revenues by \$344;
- Property tax support to business-type funds decreased by \$332 in fiscal 2013; and
- Governmental aid decreased by \$153.



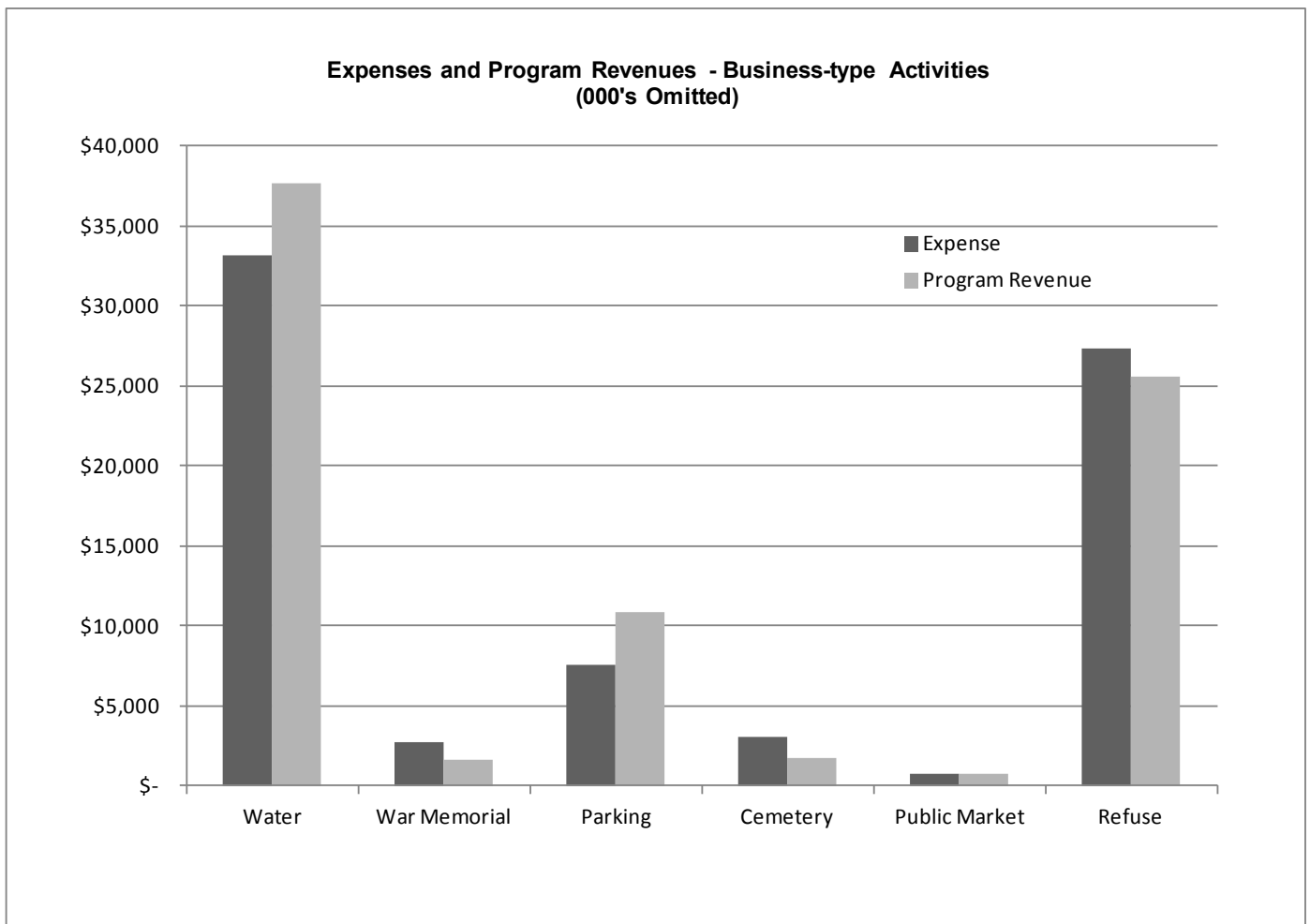
Business-type activities expense highlights.

The net decrease in business-type activities expenses was \$1,655:

- Parking fund expenses decreased by \$3,883 primarily due to new asset capitalization; and
- Public market fund expenses decreased by \$768;

The above decreases, which total \$4,651, were partially offset by increases of \$2,996 as follows:

- Water fund expenses increased by \$1,246;
- Cemetery fund expenses increased by \$898;
- Refuse fund expenses increased by \$746; and
- War memorial fund expenses increased by \$106.



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City'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 City's governmental funds reported combined ending fund balances of \$258,010, an increase of \$89,738 in comparison with the prior year. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to \$26,507. The committed portion of fund balance is reported in the amount of \$170,780 and can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City reports an assigned fund balance of \$55,853 for all governmental funds. This balance consists of amounts constrained by the City's intended use of resources that are neither restricted nor committed. Residual amounts of the general fund amount to \$4,870 and are classified as unassigned.

General fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, assigned fund balance of the general fund was \$28,540, unassigned fund balance was \$4,870, and total fund balance reached was \$68,633. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance, along with total fund balance to total fund expenditures. Assigned and unassigned fund balance total to a combined amount of \$33,410, which represents 7.6 percent of total fund expenditures. Total fund balance represents 15.6 percent of that same amount. The fund balance of the City's general fund increased by \$2,823 during the current fiscal year.

Debt service fund. The debt service fund has a total fund balance of \$26,934, of which \$11,653 is restricted and \$15,281 is assigned for the payment of debt service. The fund balance increased by \$9,181 during the current fiscal year. Transfers of (\$2,415) were made to operating funds to meet current debt service requirements. The debt service fund had \$8,831 use of money and property earnings and \$1,521 in local sources and other revenue.

General capital projects. The general capital projects fund accounts for the construction and reconstruction of general public improvements, excluding transportation capital projects as well as projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$99,095, of this \$97,170 was committed, \$1,066 was restricted, and \$859 was assigned.

Transportation capital projects. The transportation capital projects fund is used to account for road and bridge construction and reconstruction. At the end of the current fiscal year, this fund had a balance of \$21,872.

Community development special revenue fund. The Community Development Block Grant fund is a special revenue fund used to account for the programs and projects primarily funded by the U. S. Department of Housing and Urban Development. At the end of the current fiscal year, the fund balance was \$14,423.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$217,427. The change in net position between 2012 and 2013, which totaled a \$2,279 increase were as follows: the Water fund increased by \$233, the Parking fund increased by \$3,331, the War Memorial fund increased by \$411, the Refuse fund decreased by \$1,829, the Cemetery fund decreased by \$122, and the Public Market fund increased by \$255.

Unrestricted net position of the proprietary funds, which totaled \$11,781 at year end, breakdown as follows: Water — \$8,437, Parking — \$3,984, War Memorial — \$282, Refuse — (\$1,480), Cemetery — \$288, and Public Market — \$270.

Internal service fund. The internal service fund is used to account for entity-wide general liability. It is the City's reserve for self-insurance. The total net position at the end of the fiscal year was \$28,019, an increase of \$8,437 over the prior year.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the general fund. The animal control, library, and local works funds, which are Special Revenue funds, are also included in the annual operating budget. However, the Community Development special revenue fund is excluded from the annual operating budget. The multiyear projects of the Community Development Block Grant program are funded by the U.S. Department of Housing and Urban Development, which has a separate budget and management process.

During the year, City Council passed budget amendments that increased total appropriations for operating budgets. Since the legal budget is established on a department basis, rather than on a GAAP basis (i.e. fund-basis), budget-to-actual statements are presented as required supplementary information to the financial statements.

Capital Assets and Debt Administration

Capital Assets. In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business type activities as of June 30, 2013, amounted to \$950,148 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. The overall increase in the City's investment in capital assets net of depreciation for the current fiscal year was 2.14%, of which 2.01% was attributable to governmental activities and 0.13% to business-type activities.

Major capital asset expenditures during the current fiscal year included the following:

- Transportation improvements — \$33,045
- Water main improvements — \$6,174
- Water reservoir improvements — \$2,817
- Port of Rochester improvements — \$950
- Cemetery improvements — \$502
- Parking Garage improvements — \$372

City of Rochester's Capital Assets Net of Depreciation (000's Omitted)

| | Governmental activities | | Business-type activities | | Total | |
|-----------------------------------|-------------------------|------------|--------------------------|------------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Land | \$ 25,043 | \$ 25,316 | \$ 10,107 | \$ 10,439 | \$ 35,150 |
| Buildings | 139,627 | 140,852 | 104,817 | 108,831 | 244,444 | 249,683 |
| Improvements other than buildings | 36,049 | 36,484 | 144,887 | 141,406 | 180,936 | 177,890 |
| Machinery and equipment | 42,890 | 43,435 | 9,954 | 11,892 | 52,844 | 55,327 |
| Infrastructure | 430,962 | 409,017 | - | - | 430,962 | 409,017 |
| Construction in progress | 1,032 | 1,791 | 4,780 | 766 | 5,812 | 2,557 |
| Total | \$ 675,603 | \$ 656,895 | \$ 274,545 | \$ 273,334 | \$ 950,148 | \$ 930,229 |

Long-term debt. On June 30, 2013 the City's outstanding debt was \$226,743. This was an increase of \$32,690 (16.8%) over the prior year. An increase of \$33,028 in the governmental activities funds was fully offset by a decrease \$338 in the business-type activities funds.

City of Rochester's Outstanding Debt (000's Omitted)

| | Governmental activities | | Business-type activities | | Total | |
|-------------------------|--------------------------|------------|--------------------------|-----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | General obligation bonds | \$ 130,780 | \$ 53,595 | \$ 87,291 | \$ 56,065 | \$ 218,071 |
| Bond anticipation notes | 6,296 | 50,453 | 2,376 | 33,940 | 8,672 | 84,393 |
| Total | \$ 137,076 | \$ 104,048 | \$ 89,667 | \$ 90,005 | \$ 226,743 | \$ 194,053 |

The City maintains a conservative debt borrowing policy with an accelerated debt repayment schedule, and funds a significant level of capital expenditures from current funds. Major capital projects have not been deferred. The City has a rating of A+ from both Standard & Poor's and Fitch, and an Aa3 rating from Moody's Investors Service.

The New York State Constitution restricts the annual real property tax levy for operating expenses to 2 percent of the average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The Constitution also imposes a debt limit of 9 percent of the most recent five-year average of full valuation of taxable real estate. This limit, which applies to the combined City and School District debt, was \$530 million as of the fiscal year end, an amount that was \$198 million above the combined City and School District's net indebtedness.

More detailed information on the City's capital assets and long-term debt activity is provided in the Notes to the Financial Statements under I.G.3 and 7 and III.C, D and E.

Economic Factors

The dominant feature of Rochester's economy during the previous 30 years has been the creative destruction of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers—particularly Kodak—employing highly skilled production workers, thousands of key scientists and technicians in research and development positions and many headquarters staff. As these companies restructured, the workers who left their employers have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half (57%) of employment was located in small and medium-sized firms of 1,000 employees or less. Most of these firms had direct or indirect linkages to major Rochester firms like Kodak, Xerox or General Motors. By 2008, the share of employment in small and medium-sized firms had risen to about 80%. Manifesting the shift to a services based workforce, the University of Rochester has grown to be the largest local employer with 20,340 full time positions, while Kodak has shrunk to 5,129 full time employees, from a peak of 60,000 in 1982.

Eastman Kodak filed for Chapter 11 Bankruptcy in January 2012. The City of Rochester, New York State and their economic development partners continue to work with Kodak and the tenants of Eastman Business Park to assist in every way possible. Meanwhile, attraction efforts continue to bring new businesses to Eastman Business Park and its existing vacant parcels. Today, about 6,000 people work at Eastman Business Park; nearly half are employed by Kodak, while the remainder are employed by other companies that work within the Park.

In December 2012, Kodak announced that it had agreed to sell the patents for more than \$500 million to a group that partnered in an additional offer. Combined with revenue from the sale of the Eastman Business Park power plant facility, Kodak has all the pieces in place to successfully emerge from Bankruptcy. In January 2012, Kodak also obtained a \$950 million, 18-month credit line from Citigroup so it could keep operating during the bankruptcy process. Kodak emerged from bankruptcy on September 3, 2013.

Kodak's legacy is visible in the number of successful firms in the community that are remnants or spin offs of the photo firm. These firms include Exelis, Inc. (formerly ITT Space System Division), which purchased Kodak's Remote Sensing Systems unit and renamed the unit ITT's Space System Division; Champion Photochemistry Inc., a subsidiary of Champion Chemtech Ltd. which purchased Kodak's photochemical business; Carestream Health Inc., a subsidiary of Onex Corporation's Onex Healthcare Holdings, Inc., which purchased various units of Kodak's healthcare business; Optimization Technology, which acquired Kodak's capital engineering, capitalized maintenance and construction units; Ultralife Corporation, which spun out of Kodak in 1991; and many others.

In June of 2011 New York State passed a property tax cap. The law requires the local governments and school districts to raise taxes no more than 2 percent or the rate of inflation, whichever is less. Communities may raise or lower property taxes according to the needs of the community. In such cases, the locality can override the cap with a 60 percent vote for schools and by a 60 percent vote of the governing body for local governments.

Requests for Information

This financial report is designed to provide a general overview of the City of Rochester'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: Director of Finance, City Hall – Room 109A, 30 Church Street, Rochester, NY 14614.

BASIC FINANCIAL STATEMENTS

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
JUNE 30, 2013 (000's Omitted)

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|---------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | School District |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 262,071 | \$ 37,836 | \$ 299,907 | \$ 315,480 |
| Receivables (net of allowance for uncollectibles) | | | | |
| Accounts | 41,692 | 17,371 | 59,063 | 2,261 |
| Taxes | 16,288 | - | 16,288 | - |
| Due from other governments | 76,642 | 235 | 76,877 | 54,357 |
| Due from component unit | 476 | - | 476 | 4,996 |
| Interfund balances | (2,373) | 2,373 | - | - |
| Inventory | - | - | - | 26 |
| Prepaid expense | - | - | - | 5,495 |
| Cash and cash equivalents - restricted | - | 12,365 | 12,365 | - |
| Due from other governments-restricted | - | 6 | 6 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Land | 25,043 | 10,107 | 35,150 | 17,439 |
| Buildings | 139,627 | 104,817 | 244,444 | 336,903 |
| Machinery and equipment | 42,890 | 9,954 | 52,844 | 14,970 |
| Improvements other than buildings | 36,049 | 144,887 | 180,936 | - |
| Infrastructure | 430,962 | - | 430,962 | - |
| Construction in progress | 1,032 | 4,780 | 5,812 | 102,303 |
| Total assets | <u>1,070,399</u> | <u>344,731</u> | <u>1,415,130</u> | <u>854,230</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charges on refunding | - | - | - | 2,185 |
| Total deferred outflows of resources | - | - | - | 2,185 |
| Total assets and deferred outflows of resources | <u>\$ 1,070,399</u> | <u>\$ 344,731</u> | <u>\$ 1,415,130</u> | <u>\$ 856,415</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 48,171 | \$ 6,036 | \$ 54,207 | \$ 80,447 |
| Accrued interest payable | 1,777 | 1,193 | 2,970 | - |
| Due to other governments | 12,019 | 640 | 12,659 | 38,148 |
| Due to component unit | 4,996 | - | 4,996 | 476 |
| Bond anticipation notes payable | 6,296 | 2,376 | 8,672 | - |
| Unearned revenue | 722 | 197 | 919 | 2,904 |
| Noncurrent liabilities: | | | | |
| Due within one year | 22,330 | 11,890 | 34,220 | 42,967 |
| Due within more than one year | 414,796 | 104,972 | 519,768 | 630,986 |
| Total liabilities | <u>\$ 511,107</u> | <u>\$ 127,304</u> | <u>\$ 638,411</u> | <u>\$ 795,928</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 547,613 | \$ 187,190 | \$ 734,803 | \$ 231,322 |
| Restricted for: | | | | |
| Capital projects | 127,618 | 10,625 | 138,243 | - |
| Community development | 14,423 | - | 14,423 | - |
| Debt Service | 26,934 | 7,831 | 34,765 | - |
| Unrestricted (deficit) | (157,296) | 11,781 | (145,515) | (170,835) |
| Total net position | <u>\$ 559,292</u> | <u>\$ 217,427</u> | <u>\$ 776,719</u> | <u>\$ 60,487</u> |

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|-----------------------------------|------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | School District | |
| | | | | | Governmental Activities | Business-type Activities | | Total |
| Primary government: | | | | | | | | |
| General government | \$ 119,387 | \$ 40,648 | \$ 3,860 | \$ 20,855 | \$ (54,024) | \$ - | \$ (54,024) | \$ - |
| Police department | 143,722 | 10,961 | 1,492 | 44 | (131,225) | - | (131,225) | - |
| Fire department | 82,560 | 1,860 | 690 | 68 | (79,942) | - | (79,942) | - |
| Emergency communications | 23,218 | 17,220 | - | - | (5,998) | - | (5,998) | - |
| Transportation | 4,094 | 940 | 1,415 | 6,715 | 4,976 | - | 4,976 | - |
| Environmental services | 43,419 | 19,058 | 62 | 2,156 | (22,143) | - | (22,143) | - |
| Recreation & youth services | 18,818 | 1,243 | 1,949 | 175 | (15,451) | - | (15,451) | - |
| Library | 13,958 | 2,729 | 7,835 | - | (3,394) | - | (3,394) | - |
| Neighborhood business development | 41,888 | 3,740 | 53,528 | 124 | 15,504 | - | 15,504 | - |
| Interest on long-term debt | 3,664 | - | - | - | (3,664) | - | (3,664) | - |
| Education | 119,100 | - | - | - | (119,100) | - | (119,100) | - |
| Total governmental activities | 613,828 | 98,399 | 70,831 | 30,137 | (414,461) | - | (414,461) | - |
| Business-type Activities: | | | | | | | | |
| Water | 33,206 | 37,705 | - | - | - | 4,499 | 4,499 | - |
| War memorial | 2,696 | 1,586 | - | - | - | (1,110) | (1,110) | - |
| Parking | 7,580 | 10,899 | - | - | - | 3,319 | 3,319 | - |
| Cemetery | 3,016 | 1,767 | - | - | - | (1,249) | (1,249) | - |
| Public Market | 789 | 774 | - | - | - | (15) | (15) | - |
| Refuse | 27,383 | 25,534 | - | - | - | (1,849) | (1,849) | - |
| Total business-type activities | 74,670 | 78,265 | - | - | - | 3,595 | 3,595 | - |
| Total primary government | \$ 688,498 | \$ 176,664 | \$ 70,831 | \$ 30,137 | \$ (414,461) | \$ 3,595 | \$ (410,866) | \$ - |
| Component unit: | | | | | | | | |
| Public school system | \$ 731,174 | \$ 2,180 | \$ 101,981 | \$ - | \$ - | \$ - | \$ - | \$ (627,013) |
| | | General revenues: | | | | | | |
| | | | | | \$ 147,218 | \$ 1,998 | \$ 149,216 | \$ - |
| | | | | | 136,409 | - | 136,409 | - |
| | | | | | 4,672 | - | 4,672 | - |
| | | | | | 12,691 | 905 | 13,596 | - |
| | | | | | 120,271 | 7 | 120,278 | 476,580 |
| | | | | | 4 | 57 | 61 | 283 |
| | | | | | - | - | - | 119,100 |
| | | | | | 12,846 | 1,091 | 13,937 | 8,289 |
| | | | | | 5,374 | (5,374) | - | - |
| | | | | | 439,485 | (1,316) | 438,169 | 604,252 |
| | | | | | 25,024 | 2,279 | 27,303 | (22,761) |
| | | | | | 562,720 | 215,148 | 777,868 | 83,248 |
| | | | | | (28,452) | - | (28,452) | - |
| | | | | | 534,268 | 215,148 | 749,416 | - |
| | | | | | \$ 559,292 | \$ 217,427 | \$ 776,719 | \$ 60,487 |

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

**THE CITY OF ROCHESTER, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013 (000's Omitted)**

| | General | Debt Service | Capital Projects | | Special Revenue Community Development | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|------------------|-------------------|---------------------|--|-----------------------------|--------------------------|
| | | | General | Trans- portation | | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 115,873 | \$ 31,707 | \$ 17,104 | \$ 20,142 | \$ 9,826 | \$ 38,810 | \$ 233,462 |
| Receivables (net of allowance for uncollectibles) | | | | | | | |
| Accounts | 8,996 | - | 5 | - | 31,107 | 457 | 40,565 |
| Taxes | 9,200 | - | - | - | - | 255 | 9,455 |
| Due from other governments | 42,046 | - | 18,262 | 61 | 91 | 5,533 | 65,993 |
| Due from other funds | 26,200 | - | 87,089 | 11,032 | 3,468 | 2,437 | 130,226 |
| Due from component unit | 476 | - | - | - | - | - | 476 |
| Total assets | <u>\$ 202,791</u> | <u>\$ 31,707</u> | <u>\$ 122,460</u> | <u>\$ 31,235</u> | <u>\$ 44,492</u> | <u>\$ 47,492</u> | <u>\$ 480,177</u> |
| LIABILITIES | | | | | | | |
| Accounts payable accrued liabilities | \$ 13,651 | \$ - | \$ 8,495 | \$ 2,546 | \$ 1,019 | \$ 1,929 | \$ 27,640 |
| Notes payable | - | - | 2,030 | 4,087 | - | 179 | 6,296 |
| Due to other funds | 103,157 | - | 12,840 | 2,730 | 1,869 | 17,815 | 138,411 |
| Due to other governments | 9,674 | - | - | - | 1,895 | 450 | 12,019 |
| Due to component unit | 220 | 4,773 | - | - | - | 3 | 4,996 |
| Unearned revenue | 7,456 | - | - | - | - | - | 7,456 |
| Total liabilities | <u>134,158</u> | <u>4,773</u> | <u>23,365</u> | <u>9,363</u> | <u>4,783</u> | <u>20,376</u> | <u>196,818</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue | - | - | - | - | 25,286 | 63 | 25,349 |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,286</u> | <u>63</u> | <u>25,349</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 134,158</u> | <u>\$ 4,773</u> | <u>\$ 23,365</u> | <u>\$ 9,363</u> | <u>\$ 30,069</u> | <u>\$ 20,439</u> | <u>\$ 222,167</u> |
| FUND BALANCES: | | | | | | | |
| Restricted | \$ - | \$ 11,653 | \$ 1,066 | \$ - | \$ 9,051 | \$ 4,737 | \$ 26,507 |
| Committed | 35,223 | - | 97,170 | 21,872 | 5,372 | 11,143 | 170,780 |
| Assigned | 28,540 | 15,281 | 859 | - | - | 11,173 | 55,853 |
| Unassigned | 4,870 | - | - | - | - | - | 4,870 |
| Total fund balances | <u>68,633</u> | <u>26,934</u> | <u>99,095</u> | <u>21,872</u> | <u>14,423</u> | <u>27,053</u> | <u>258,010</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 202,791</u> | <u>\$ 31,707</u> | <u>\$ 122,460</u> | <u>\$ 31,235</u> | <u>\$ 44,491</u> | <u>\$ 47,492</u> | <u>\$ 480,177</u> |

Fund balances of governmental funds \$ 258,010

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

| | |
|---|-------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 675,603 |
| Accrual of property and sales taxes to qualify as financial resources | 24,317 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 25,349 |
| Internal Service funds are used by management to charge the cost of risk management and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | 28,019 |
| Accrual of interest on bonds and notes payable | (1,776) |
| Accrual of Medicare Part D revenue | 1,025 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds | |
| Bonds Payable | (121,694) |
| Premium liability | (9,086) |
| Compensated absences | (14,129) |
| Workers' compensation | (10,111) |
| OPEB liability | (284,079) |
| NYS Canal lease liability | (545) |
| Pollution remediation liability | (11,611) |
| Net position of governmental activities | <u>\$ 559,292</u> |

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| | General | Debt Service | Capital Projects | | Special Revenue Community Development | Nonmajor Governmental Funds | Total Governmental Funds |
|---|------------------|------------------|------------------|------------------|---------------------------------------|-----------------------------|--------------------------|
| | | | General | Transportation | | | |
| REVENUES | | | | | | | |
| Real property tax | \$ 142,910 | \$ - | \$ - | \$ - | \$ - | \$ 6,597 | \$ 149,507 |
| Sales tax | 136,332 | - | - | - | - | - | 136,332 |
| Other taxes | 17,363 | - | - | - | - | - | 17,363 |
| Departmental | 23,051 | - | - | - | - | 21,316 | 44,367 |
| Interest on investments | - | - | 3 | - | - | - | 3 |
| Use of money and property | 261 | 8,831 | - | - | 3 | 26 | 9,121 |
| Licenses and permits | 3,141 | - | - | - | - | - | 3,141 |
| Federal aid | 5,001 | - | 12,090 | 4,278 | 24,086 | 3,667 | 49,122 |
| State aid | 118,937 | - | 8,922 | 3,187 | 399 | 2,507 | 133,952 |
| Local sources and other | 19,317 | 1,521 | 237 | 1,328 | 5,695 | 9,346 | 37,444 |
| Total revenues | <u>466,313</u> | <u>10,352</u> | <u>21,252</u> | <u>8,793</u> | <u>30,183</u> | <u>43,459</u> | <u>580,352</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 127,478 | - | - | - | - | 7,540 | 135,018 |
| Neighborhood business development | 8,189 | - | - | - | 23,854 | 1,446 | 33,489 |
| Environmental services | 15,782 | - | - | - | - | 9,480 | 25,262 |
| Library | - | - | - | - | - | 10,708 | 10,708 |
| Police | 83,333 | - | - | - | - | 1,728 | 85,061 |
| Fire | 44,371 | - | - | - | - | 3,841 | 48,212 |
| Emergency communications | 12,622 | - | - | - | - | 2,231 | 14,853 |
| Recreation & youth services | 9,489 | - | - | - | - | - | 9,489 |
| Transportation | 5,197 | - | - | - | - | 114 | 5,311 |
| Education | 119,100 | - | - | - | - | - | 119,100 |
| Debt service: | | | | | | | |
| Principal retirement | 12,075 | - | - | - | - | 375 | 12,450 |
| Interest | 3,168 | - | - | - | - | 79 | 3,247 |
| Administrative charges | 21 | 103 | - | - | - | - | 124 |
| Capital outlay: | | | | | | | |
| General government | - | - | 42,618 | - | - | - | 42,618 |
| Police | - | - | 133 | - | - | - | 133 |
| Fire | - | - | 9 | - | - | - | 9 |
| Transportation | - | - | 9 | 19,206 | - | - | 19,215 |
| Recreation & youth services | - | - | - | - | - | 920 | 920 |
| Environmental services | - | - | 5,878 | - | - | - | 5,878 |
| Library | - | - | - | - | - | 1,067 | 1,067 |
| Neighborhood business development | - | - | 2 | - | - | 219 | 221 |
| Total expenditures | <u>440,825</u> | <u>103</u> | <u>48,649</u> | <u>19,206</u> | <u>23,854</u> | <u>39,748</u> | <u>572,385</u> |
| Excess (deficiency) of revenues over expenditures | 25,488 | 10,249 | (27,397) | (10,413) | 6,329 | 3,711 | 7,967 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 15,228 | 1,244 | 28,991 | 4,862 | 3,382 | 1,304 | 55,011 |
| Transfers out | (37,893) | (2,415) | (1,358) | (3,694) | - | (9,137) | (54,497) |
| Payment to refunded bond escrow agent | - | (11,055) | - | - | - | - | (11,055) |
| Premium on refunding bond issued | - | 708 | - | - | - | - | 708 |
| Refunding bonds issued | - | 10,450 | - | - | - | - | 10,450 |
| Proceeds gen obligation debt | - | - | 35,093 | 40,076 | - | 5,985 | 81,154 |
| Total other financing sources and uses | <u>(22,665)</u> | <u>(1,068)</u> | <u>62,726</u> | <u>41,244</u> | <u>3,382</u> | <u>(1,848)</u> | <u>81,771</u> |
| Net Change in fund balances | 2,823 | 9,181 | 35,329 | 30,831 | 9,711 | 1,863 | 89,738 |
| Fund balances - beginning of year | 65,810 | 17,753 | 63,766 | (8,959) | 4,712 | 25,190 | 168,272 |
| Fund balances - end of year | <u>\$ 68,633</u> | <u>\$ 26,934</u> | <u>\$ 99,095</u> | <u>\$ 21,872</u> | <u>\$ 14,423</u> | <u>\$ 27,053</u> | <u>\$ 258,010</u> |

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

**THE CITY OF ROCHESTER, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

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

| | |
|--|------------------|
| Net change in fund balances --total governmental funds | \$ 89,738 |
| Change in net position of internal service fund reported in governmental activities | 8,437 |
| Capital assets used in governmental activities are not financial resources and, therefore, Governmental funds report capital outlays of \$45,956 as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense of \$27,246. This is the amount by which capital outlays exceed depreciation in the current period. | 18,710 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 25,349 |
| Change in accrual of interest payable on notes and bonds payable | (496) |
| Change in accrual of unrestricted governmental aid | 51 |
| Change in accrual of property tax | (2,290) |
| Change in accrual of sales tax | 77 |
| Change in pollution remediation liability | 613 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | |
| Debt principal payment | (68,099) |
| Premium liability | (9,086) |
| OPEB expense is not reported in the governmental funds. | (37,016) |
| NYS Canal lease expense is not reported in the governmental funds. | 91 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds | |
| Workers compensation | (809) |
| Compensated absences | (246) |
| Change in net position of governmental activities | <u>\$ 25,024</u> |

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013 (000's Omitted)

| | Business-type Activities- Enterprise Funds | | | | | | Total Funds | Governmental Activities- Internal Service Fund |
|---|--|-----------|-----------------|-----------|----------|------------------|----------------|--|
| | Water | Parking | War Memorial | Refuse | Cemetery | Public Market | | |
| ASSETS | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 10,160 | \$ 5,606 | \$ 274 | \$ 17,365 | \$ 3,440 | \$ 991 | \$ 37,836 | \$ 28,608 |
| Receivables (net of allowance for uncollectibles) | 13,152 | 338 | 1,043 | 2,272 | 566 | - | 17,371 | - |
| Due from other governments | 8 | 1 | 226 | - | - | - | 235 | - |
| Due from other funds | 854 | 357 | 137 | 1,458 | 21 | 314 | 3,141 | 7,000 |
| Cash and cash equivalents - restricted | 9,807 | 1,138 | 4 | 161 | 1,211 | 44 | 12,365 | - |
| Due from other governments-restricted | 6 | - | - | - | - | - | 6 | - |
| Total Current assets: | 33,987 | 7,440 | 1,684 | 21,256 | 5,238 | 1,349 | 70,954 | 35,608 |
| Noncurrent assets: | | | | | | | | |
| Capital assets: | | | | | | | | |
| Land | 572 | 8,493 | 165 | 30 | 139 | 708 | 10,107 | - |
| Buildings | 42,423 | 125,964 | 44,539 | 973 | 6,458 | 1,863 | 222,220 | - |
| Improvements other than buildings | 256,018 | 2,212 | 60 | 671 | 1,819 | 3,180 | 263,960 | - |
| Equipment | 6,236 | 2,713 | 5,688 | 16,442 | 1,782 | 161 | 33,022 | - |
| Construction in progress | 129 | 4,073 | 26 | 176 | 6 | 370 | 4,780 | - |
| Less accumulated depreciation | (138,226) | (79,631) | (24,155) | (11,987) | (3,057) | (2,488) | (259,544) | - |
| Total Noncurrent assets (net of accumulated depreciation) | 167,152 | 63,824 | 26,323 | 6,305 | 7,147 | 3,794 | 274,545 | - |
| Total assets | 201,139 | 71,264 | 28,007 | 27,561 | 12,385 | 5,143 | 345,499 | 35,608 |
| LIABILITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and accrued liability | 2,122 | 872 | 34 | 2,383 | 525 | 100 | 6,036 | 6,402 |
| Accrued interest payable | 679 | 328 | 168 | - | 18 | - | 1,193 | - |
| Worker's compensation, current portion | 702 | 50 | - | 1,820 | 23 | 3 | 2,598 | - |
| Notes payable | 1,485 | 891 | - | - | - | - | 2,376 | - |
| Bonds payable | 5,737 | 2,629 | 890 | - | 36 | - | 9,292 | - |
| Due to other funds | 614 | 74 | - | 12 | 41 | 27 | 768 | 1,187 |
| Due to other governments | 281 | 62 | - | 260 | 28 | 9 | 640 | - |
| Unearned revenue | - | 53 | - | - | 144 | - | 197 | - |
| Total current liabilities | 11,620 | 4,959 | 1,092 | 4,475 | 815 | 139 | 23,100 | 7,589 |
| Noncurrent liabilities: | | | | | | | | |
| Worker's compensation | 1,010 | 72 | - | 2,619 | 34 | 5 | 3,740 | - |
| Bonds payable | 47,499 | 18,096 | 11,205 | - | 1,199 | - | 77,999 | - |
| OPEB liability | 10,974 | 1,321 | - | 9,801 | 926 | 211 | 23,233 | - |
| Total noncurrent liabilities: | 59,483 | 19,489 | 11,205 | 12,420 | 2,159 | 216 | 104,972 | - |
| Total liabilities | 71,103 | 24,448 | 12,297 | 16,895 | 2,974 | 355 | 128,072 | 7,589 |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 115,021 | 41,799 | 14,229 | 6,305 | 6,042 | 3,794 | 187,190 | - |
| Restricted for health insurance | - | - | - | - | - | - | - | 4,644 |
| Restricted for capital projects | - | - | 1,199 | 5,841 | 2,905 | 680 | 10,625 | - |
| Restricted for debt service | 6,578 | 1,033 | - | - | 176 | 44 | 7,831 | - |
| Unrestricted (deficit) | 8,437 | 3,984 | 282 | (1,480) | 288 | 270 | 11,781 | 23,375 |
| Total net position | \$ 130,036 | \$ 46,816 | \$ 15,710 | \$ 10,666 | \$ 9,411 | \$ 4,788 | \$ 217,427 | \$ 28,019 |

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| | Business-type Activities- Enterprise Funds | | | | | | Total Funds | Governmental Activities- Internal Service Fund |
|--|--|-----------|--------------|-----------|----------|---------------|-------------|--|
| | Water | Parking | War Memorial | Refuse | Cemetery | Public Market | | |
| Operating revenues: | | | | | | | | |
| Charges for services | \$ 37,705 | \$ 10,899 | \$ 1,586 | \$ 25,534 | \$ 1,767 | \$ 774 | \$ 78,265 | \$ 28,536 |
| Total operating revenues | 37,705 | 10,899 | 1,586 | 25,534 | 1,767 | 774 | 78,265 | 28,536 |
| Operating expenses: | | | | | | | | |
| Personal services | 6,759 | 1,753 | - | 6,599 | 931 | 221 | 16,263 | - |
| Supplies and materials | 11,339 | 764 | 934 | 11,454 | 1,119 | 321 | 25,931 | - |
| Employee benefits | 6,582 | 1,202 | 9 | 7,066 | 558 | 48 | 15,465 | - |
| Depreciation | 6,958 | 2,966 | 1,110 | 2,264 | 389 | 192 | 13,879 | - |
| Claims settlement | - | - | - | - | - | - | - | 24,979 |
| Total operating expenses | 31,638 | 6,685 | 2,053 | 27,383 | 2,997 | 782 | 71,538 | 24,979 |
| Operating Income (loss) | 6,067 | 4,214 | (467) | (1,849) | (1,230) | (8) | 6,727 | 3,557 |
| Nonoperating revenues (expenses): | | | | | | | | |
| Real property tax | - | - | 616 | - | 1,113 | 269 | 1,998 | - |
| Other taxes | - | - | 905 | - | - | - | 905 | - |
| Interest and penalties | 1,087 | - | - | - | 4 | - | 1,091 | - |
| Interest on investments | 19 | 7 | - | 20 | 10 | 1 | 57 | 20 |
| Federal Aid | 2 | 5 | - | - | - | - | 7 | - |
| Local sources and other | - | - | - | - | - | - | - | - |
| Interest expense | (1,558) | (894) | (643) | - | (19) | (7) | (3,121) | - |
| Bond issuance costs | (10) | (1) | - | - | - | - | (11) | - |
| Total non operating revenues (expenses) | (460) | (883) | 878 | 20 | 1,108 | 263 | 926 | 20 |
| Income (loss) before contributions and operating transfers | 5,607 | 3,331 | 411 | (1,829) | (122) | 255 | 7,653 | 3,577 |
| Transfers: | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | 7,442 |
| Transfers out | (5,374) | - | - | - | - | - | (5,374) | (2,582) |
| Change in net position | 233 | 3,331 | 411 | (1,829) | (122) | 255 | 2,279 | 8,437 |
| Net position - beginning | 129,803 | 43,485 | 15,299 | 12,495 | 9,533 | 4,533 | 215,148 | 19,582 |
| Net position - ending | \$ 130,036 | \$ 46,816 | \$ 15,710 | \$ 10,666 | \$ 9,411 | \$ 4,788 | \$ 217,427 | \$ 28,019 |

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| | Business-type Activities- Enterprise Funds | | | | | | Governmental Activities- Internal Service Fund | |
|---|--|-----------|-----------------|------------|------------|------------------|--|----------------|
| | Water | Parking | War Memorial | Refuse | Cemetery | Public Market | | Total Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts from customers and users | \$ 37,333 | \$ 10,773 | \$ 1,629 | \$ 25,661 | \$ 1,773 | \$ 774 | \$ 77,943 | \$ 28,537 |
| Payments to suppliers | (11,905) | (866) | (904) | (10,605) | (674) | (328) | (25,282) | (21,894) |
| Payments to employees | (11,497) | (1,750) | (10) | (11,904) | (1,355) | (200) | (26,716) | - |
| Net cash provided (used) by operating activities | 13,931 | 8,157 | 715 | 3,152 | (256) | 246 | 25,945 | 6,643 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Real property taxes | - | - | 616 | - | 1,113 | 269 | 1,998 | - |
| Operating grants | 7 | 9 | 923 | - | - | - | 939 | - |
| Transfers (to) from other funds | (5,983) | 408 | (406) | (889) | (83) | (306) | (7,259) | 460 |
| Net cash provided (used) by noncapital financing activities | (5,976) | 417 | 1,133 | (889) | 1,030 | (37) | (4,322) | 460 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Proceeds from sales of bonds and notes | 2,455 | 1,490 | - | - | 1,000 | - | 4,945 | - |
| Principal paid on bonds and notes | (4,939) | (2,525) | (880) | - | (25) | (225) | (8,594) | - |
| Capital grants | 2 | - | - | - | - | - | 2 | - |
| Interest expense paid on bonds and notes | (1,593) | (886) | (655) | - | (7) | (11) | (3,152) | - |
| Payments to contractors | (9,167) | (4,164) | (40) | (1,858) | (890) | (179) | (16,298) | - |
| Proceeds from sale of capital assets | - | - | 1 | 908 | 298 | - | 1,207 | - |
| Net cash provided (used) by capital and related financing activities | (13,242) | (6,085) | (1,574) | (950) | 376 | (415) | (21,890) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest received from investments and customers | 1,230 | 34 | - | 21 | 18 | 1 | 1,304 | 20 |
| Net Increase (decrease) in cash and cash equivalents | (4,057) | 2,523 | 274 | 1,334 | 1,168 | (205) | 1,037 | 7,123 |
| Cash and cash equivalents at beginning of year | 24,024 | 4,221 | 4 | 16,192 | 3,483 | 1,240 | 49,164 | 21,485 |
| Cash and cash equivalents at end of year | \$ 19,967 | \$ 6,744 | \$ 278 | \$ 17,526 | \$ 4,651 | \$ 1,035 | \$ 50,201 | \$ 28,608 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Operating income (loss) | \$ 6,067 | \$ 4,214 | \$ (467) | \$ (1,849) | \$ (1,230) | \$ (8) | \$ 6,727 | \$ 3,557 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Depreciation expense | 6,958 | 2,966 | 1,110 | 2,264 | 389 | 192 | 13,879 | - |
| Increase (decrease) in Accounts Payable - Supplier | (635) | 752 | 29 | 739 | 445 | (6) | 1,324 | 3,085 |
| (Increase) decrease in Customer Receivables | (371) | (126) | 42 | 128 | 6 | - | (321) | - |
| Increase (decrease) in Compensated absences | 31 | (12) | - | (30) | 13 | 21 | 23 | - |
| Increase (decrease) in Salaries & Benefits Payable | 1,848 | 361 | - | 1,884 | 119 | 47 | 4,259 | - |
| Net Cash provided (used) by operating activities | \$ 13,898 | \$ 8,155 | \$ 714 | \$ 3,136 | \$ (258) | \$ 246 | \$ 25,891 | \$ 6,642 |

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013 (000's Omitted)

| | Private Grants | Agency |
|---|---------------------------|-------------------|
| ASSETS | <u> </u> | <u> </u> |
| Cash and cash equivalents | \$ 1,805 | \$ 23,587 |
| Investments | 2,350 | - |
| Receivables (net of allowance for uncollectibles) | - | 219 |
| Total assets | <u>4,155</u> | <u>23,806</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | <u>897</u> | <u>23,806</u> |
| Total liabilities | <u>897</u> | <u>23,806</u> |
| NET POSITION | | |
| Held in trust and other purposes | <u>\$ 3,258</u> | <u>\$ -</u> |

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| | Private Grants |
|--------------------------------------|---------------------------|
| ADDITIONS | |
| Additions | \$ 459 |
| Net investment earnings | 154 |
| Total additions | <u>613</u> |
| DEDUCTIONS | |
| Community services | 1,244 |
| Change in Net Position | <u>(631)</u> |
| Net Position - beginning of the year | 3,889 |
| Net Position - end of the year | <u>\$ 3,258</u> |

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Rochester, New York, (the City) was incorporated in 1834 and operates as a Council-Mayor form of government. City Council is the chief policy-making body and is made up of nine elected members, five Council members at large and four District Council members. The Mayor is elected for a four-year term and is the head of the executive and administrative branch of City government. Basic City services are provided by the following operating departments: Neighborhood and Business Development; Environmental Services; Finance; Information Technology; Law; Library; Recreation and Youth Services; Police; Fire and Emergency Communications. The City owns and operates six enterprise activities: a water system, parking, War Memorial, refuse, cemeteries, and public market.

The Rochester City School District (the District) is included in these financial statements as a discretely presented component unit, a governmental fund type. A separately elected Board of Education governs the operations of the public schools in the City of Rochester which make up the District. However, the District is financially dependent on the City and has no independent power to contract bonded indebtedness or to levy taxes. The City of Rochester Charter determines how the allocation of revenues and debt-incurring power between the City and the District will be conducted. Complete financial statements for the District may be obtained from the Chief Financial Officer, Rochester City School District, 131 West Broad Street, Rochester New York 14614.

The Rochester Joint Schools Construction Board (RJSCB) was formed to provide alternative financing for the modernization of school facilities. It is an inter-municipal board formed by the City and the District under the authorization of the New York State Rochester School Facilities Construction Board Act. The seven voting member board consists of three members appointed by the City, three members appointed by the District, and one member jointly appointed. The RJSCB is included in the financial statements of the District as a blended component unit. Separate financial statements of the RJSCB may be obtained from the RJSCB's Executive Director located at 1766 North Clinton Avenue, Rochester, New York 14621.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-type activities which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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 this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The **General Fund** is the City's general operating fund. It accounts for all financial resources except those required to be accounted for in other funds.

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

The **General Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Transportation Capital Projects Fund, Proprietary Funds and Special Revenue Funds.

The **Transportation Capital Projects Fund** is used to account for infrastructure improvements, some of which are reimbursed by New York State.

The **Community Development Fund** is a Special Revenue Fund used to account for the Community Development Block Grant and other federal sources.

The City reports the following major proprietary funds:

The **Water Fund** is used to account for the water utility that produces and distributes water to City residents.

The **Parking Fund** is used to account for public parking facilities operated by the City.

The **War Memorial Fund** is used to account for the operation of the Blue Cross/Blue Shield Arena at the Rochester War Memorial.

The **Refuse Fund** is used to account for the collections and disposal of residential and commercial refuse in the City.

The **Cemetery Fund** is used to account for the City's Mt. Hope and Riverside Cemeteries.

The **Public Market Fund** is used to account for the revenues and expenses of the farmers' market complex on Union St.

Additionally, the City reports the following fund types:

The City has an **Internal Service Fund**, which is used to account for entity-wide general liabilities and health insurance premiums.

The **Private Grant Fund** is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. This includes gifts and bequests restricted for specific library, police, and fire programs.

The **Agency Fund** is used to account for custodial transactions in which assets equal liabilities. This includes payroll withholdings, security deposits, and tax overpayments held for refund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is the chargeback of services, such as utilities, vehicle maintenance, and central costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues are those which cannot be associated directly with program activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund, refuse collection charges for the Refuse Fund, parking fees for the Parking Fund, sale of event tickets for the War Memorial Fund, sale of graves for the Cemetery Fund and vendor charges for the Public Market Fund. Operating expenses for the enterprise funds and the Internal Service Fund include the cost of sales and services, administrative expenses and

depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The City elected to implement GASB Statement No. 65 early. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets, GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement Nos. 63 and 65 did not have a material impact on the City's financial position or results from operations.

During the year ended June 30, 2013, the City completed the process of evaluating the impact that would result from adopting GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, effective for the year ending June 30, 2013. GASB Statements No. 61, 62 and 64 did not have a material impact on the City's financial position or results from operations.

The GASB has issued the following new statements:

- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*, which will be effective for the year ending June 30, 2014;
- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending June 30, 2014;
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending June 30, 2015;
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending June 30, 2015;
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which will be effective for the year ending June 30, 2014; and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which should be applied simultaneously with the provisions of Statement No. 68 that will be effective for the year ending June 30, 2015.

The City is currently reviewing these statements and plans on adoption, as required.

E. USE OF ESTIMATES

The preparation of general purpose financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 expenditures during the reporting period. Actual results could differ from those estimates.

F. REAL PROPERTY TAX

Property taxes are levied as of July 1st, on which date they become liens on real property, and are payable in quarterly installments due on July 31st, September 30th, January 31st and March 31st. All non-*ad valorem* amounts are due with the first quarterly installment.

The City is permitted by the Constitution of New York State to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2013, the City had a legal margin of \$36,249,000.

G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**1. Deposits and Investments**

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

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

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

The City, in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, reports investments at fair value in the balance sheet. In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions.

2. Restricted Assets

Certain assets are classified on the Statement of Net Position as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Property taxes collected for debt service payments are legally restricted for that purpose. Cemetery perpetual care funds cannot be expended. However, the interest earnings can be spent for cemetery maintenance functions.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable Governmental or Business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to fiscal year 1980 is not reported, as permitted by GASB Statement No. 34. The City defines capital assets as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Land and construction in progress are not depreciated. Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the estimated useful lives in this table:

| Class | Life in Years |
|-----------------------------------|----------------------|
| Buildings | 30-60 |
| Improvements Other than Buildings | 10-20 |
| Infrastructure | 5-60 |
| Water System | 40-65 |
| Equipment | 6-15 |

4. Deferred Outflow/Inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until

then. The City has no item that qualified for reporting in this category. The District has only one item that qualified for reporting in this category: the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore, will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualified for reporting in this category: the long-term receivable balances from various community development programs in the Community Development Special Revenue Fund and a grant in the Animal Control Special Revenue Fund.

5. Unearned Revenue

Under the accrual method of accounting, revenue must be recognized as soon as it is earned, regardless of availability. Thus, unearned revenue is reported as income on the entity-wide statements. Conversely, under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Thus, unearned revenue is reported as a liability on the fund-level statements.

Unearned revenue of \$7,456,000 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days, \$144,000 in the City's Cemetery Fund relates primarily to charges for future care of grave sites and \$53,000 in the City's Parking Fund relates primarily to prepaid monthly parking fees.

The District received cash in advance of expenditures for Special Aid fund projects in the amount of \$2,904,000 during fiscal year 2012-13, and has recorded it as unearned revenue. These funds represent receipts for various grants that were not fully spent at June 30, 2013. As the funds are spent during fiscal year 2013-14, revenue will be recorded.

6. Compensated Absences

It is the City's policy to pay employees for unused vacation and compensatory time when there is a separation from service. For Governmental activities, the current portion of this liability is accrued in the appropriate fund and the long-term portion is accrued in the entity-wide statement of net position as noncurrent liabilities. For Business-type funds, the full liability is recognized at both the fund and entity-wide level.

7. Long-term Obligations

In the entity-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental activities, Business-type activities, or proprietary fund type statement of net position. Bond premiums, if any, are deposited in the debt service fund and used to retire debt in the respective funds. Bond issuance costs that are immaterial are charged as a general fund operating expense.

In the fund level financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as Department of Finance expenditures in the general fund.

8. Fund Balances — Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

- **Non-spendable-** amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted-** amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- **Committed-** amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council.
- **Assigned-** amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City Charter, the Director of Finance has the authority to assign amounts for specific purposes.

The Assigned category includes funds encumbered for contract services and purchase orders that were open as of June 30, 2013.

- **Unassigned-** all other spendable amounts.

As of June 30, 2013, governmental fund balances were classified as follows (000's omitted):

| | | | Capital Projects | | Special Revenue | Nonmajor Govern- mental | Total Govern- mental Funds |
|--|------------------|------------------|------------------|------------------|--------------------------|-------------------------------|----------------------------------|
| | General | Debt Service | General | Transportation | Community Development | | |
| Restricted: | | | | | | | |
| Debt service | \$ - | \$ 11,653 | \$ - | \$ - | \$ - | \$ - | \$ 11,653 |
| Capital projects | - | - | 1,066 | - | - | - | 1,066 |
| Community development | - | - | - | - | 9,051 | - | 9,051 |
| Federal projects | - | - | - | - | - | 2,575 | 2,575 |
| Foreign fire insurance | - | - | - | - | - | 1,268 | 1,268 |
| State projects | - | - | - | - | - | 894 | 894 |
| Committed: | | | | | | | |
| Retirement costs | 16,317 | - | - | - | - | - | 16,317 |
| Property tax relief | 18,906 | - | - | - | - | - | 18,906 |
| Capital projects | - | - | 97,170 | 21,872 | - | - | 119,042 |
| Federal block grant | - | - | - | - | 5,372 | - | 5,372 |
| Cultural & Recreation - Capital | - | - | - | - | - | 2,614 | 2,614 |
| Cemetery perpetual care | - | - | - | - | - | 5,144 | 5,144 |
| Economic development | - | - | - | - | - | 3,202 | 3,202 |
| Sewer - Capital | - | - | - | - | - | 183 | 183 |
| Assigned: | | | | | | | |
| Open purchase orders and contracts: | | | | | | | |
| General government | 945 | - | - | - | - | - | 945 |
| Police | 310 | - | - | - | - | - | 310 |
| Fire | 212 | - | - | - | - | - | 212 |
| Emergency communications | 143 | - | - | - | - | - | 143 |
| Environmental services | 1,723 | - | - | - | - | - | 1,723 |
| Recreation & Youth services | 496 | - | - | - | - | - | 496 |
| Neighborhood & business development | 239 | - | - | - | - | - | 239 |
| Subsequent year's expenditures | 4,860 | - | - | - | - | 802 | 5,662 |
| Retirement costs | 5,612 | - | - | - | - | - | 5,612 |
| Property tax relief | 7,000 | - | - | - | - | - | 7,000 |
| Postemployment benefits | 7,000 | - | - | - | - | - | 7,000 |
| Debt service | - | 15,281 | - | - | - | - | 15,281 |
| Capital projects | - | - | 859 | - | - | - | 859 |
| Animal control | - | - | - | - | - | 527 | 527 |
| Library | - | - | - | - | - | 11 | 11 |
| Local works | - | - | - | - | - | 7,741 | 7,741 |
| Downtown programs | - | - | - | - | - | 2,092 | 2,092 |
| Unassigned | | | | | | | |
| General fund | 4,870 | - | - | - | - | - | 4,870 |
| Capital projects | - | - | - | - | - | - | - |
| Totals | \$ 68,633 | \$ 26,934 | \$ 99,095 | \$ 21,872 | \$ 14,423 | \$ 27,053 | \$ 258,010 |

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment actions.

9. Restatement of Beginning Net Position

The City's entity-wide beginning net position was decreased by \$28,452,000 "net of accumulated depreciation" from \$777,868,000 to \$749,416,000 to exclude the capital assets made up of the City's sewer system and waste treatment facilities. Effective January 2011, the City entered into an agreement to transfer all sewer system and waste treatment facilities to the Rochester Pure Waters District (RPWD). Due to the agreement and resultant disposition of these capital assets occurring during a mayoral transition period, these assets were inadvertently included on previous financial reports.

More detail on this transfer agreement is provided under Note III.G.

10. Encumbrances & Commitments

Encumbrances are recorded at the time a purchase order, construction contract or service agreement is finalized. In governmental funds, commitments are encumbered and reported as reservations of fund balances since they do not constitute expenditures or liabilities. Total encumbrances for construction and other governmental fund capital projects as of June 30, 2013 were \$58,335,000. This amount is comprised of \$40,757,000 in general government projects, \$13,554,000 in transportation projects, and \$4,024,000 in nonmajor governmental fund capital projects. In addition, \$6,095,000 was encumbered in the Special Revenue fund for Community Development projects.

In enterprise funds, commitments outstanding at year-end are included in Unrestricted Net Position. Total commitments in the enterprise funds for operations and capital projects as of June 30, 2013 were \$20,148,000. This was composed of \$13,947,000 for Water Fund projects, \$1,418,000 for Refuse Fund projects, \$3,667,000 for Parking Fund projects, \$128,000 for War Memorial projects, \$610,000 for Cemetery projects, and \$378,000 for Public Market projects.

11. Cash and Cash Equivalent

The City's cash and cash equivalents consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The City's investment policies are governed by State statutes. City funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council appropriates a total expenditure budget based on projected revenues. The budget allocations among the various organizational units, as amended by City Council, are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual, General, Certain Special Revenue and Enterprise Funds, Non-GAAP - Budget Basis. The City's annual operating budget includes estimated revenues and appropriations for the general fund, enterprise funds and certain special revenue funds (Animal Control, Library, and Local Works). In accordance with City Charter provisions, budget compliance is on a departmental basis rather than at the fund level.

Since the adopted budget is on a departmental basis, rather than a fund basis, legal compliance cannot be reported as part of the Basic Financial Statements. Therefore, in compliance with GASB Statement No. 41 (*Budgetary Comparison Schedules – Perspective Differences*), a non-GAAP budget-to-actual schedule is presented as Required Supplemental Information after the Basic Financial Statements. An administrative level budget-to-actual schedule is presented as Other Supplemental Information following the combining and individual fund statements and schedules.

Appropriations for all budgets lapse at fiscal year-end. The combined General, Special Revenue, and Enterprise fund budget is adopted on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level. Current year encumbrances are included with expenditures; however, the expenditure of prior years' encumbrances are not included.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Mayor and the Board of Education submit, to the City Council, proposed operating budgets for the fiscal year commencing July 1. The operating budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to review the budgets with City Council.
3. Prior to July 1, the budgets are legally enacted through passage of ordinances.
4. The Mayor has the authority to transfer budgeted amounts between accounts within any department; however, any increases to department totals must be approved by City Council.

During the year, City Council passed budget amendments which increased total appropriations for operating budgets by \$4,800. Estimated revenues increased by \$1,520,100, transfers to other funds increased by \$3,245,600 and transfers from other funds increased by \$1,533,400. Appropriation of fund balance increased by \$196,900.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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 the primary government and the component unit.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, it is the City's policy generally to 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, the City's investments are limited to obligations of the United States of America, obligations guaranteed by the United States of America where the payment of principal and interest are guaranteed by 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 is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In compliance with New York State law, City deposits (above FDIC limits) and investments are protected with custodial agreements which require that government securities, equal to or greater than 102% of the daily investment, are held by a third party in the City's name.

Concentration of Credit Risk. To promote competition in rates and service costs, and to limit the risk of institutional failure, City 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 restricted to those affiliated with the New York Federal Reserve Bank as primary dealers.

1. Deposits

At year-end, the total carrying amount of the City's deposits net of outstanding checks, including certificates of deposit, was \$128,930,000 and the bank balance was \$130,049,000. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

At year-end, the total carrying amount of the School District's deposits net of outstanding checks, including certificates of deposit, was \$233,480,000. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third-party.

2. Cash Equivalents

At year-end, the City had cash equivalents of \$208,677,000; money markets at fair value of \$208,280,000 and securities held in lieu of retainage with a fair market value of \$397,000. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

At year-end, the School District had cash equivalents in the form of money markets at fair value of \$82,000,000. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

3. Investments

At year-end, City had \$2,407,000 of Library trust funds invested: \$1,265,000 was invested in fixed income securities and \$1,117,000 in equities, with the remaining \$25,000 of the portfolio classified as cash and accrued income. Library trust fund investments, which derive from private contributions, constitute only less than one percent of the City's deposits, cash equivalents, and investments. These funds, which provide resources for restricted purposes, are managed separately under the control of an independent library board rather than under the City Treasurer's cash management policies described above. Approximately one-half of this portfolio is invested in U.S. Treasury and agency obligations; the remaining is invested in stocks and mutual funds for which ratings are unavailable. These equities have been characterized as 50% growth investments and 50% value investments. Since this portfolio is not protected by the City's collateral agreements and has exposure to cyclical markets, there is greater custodial and credit risk.

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

In accordance with certain contractual provisions, investment income of \$72,000 for fiscal year 2013, associated with the Capital Projects Fund, was assigned to the Debt Service Fund. In addition, investment income of \$5,000 for fiscal year 2013, associated with the Cemetery Perpetual Care Fund, was assigned to the Cemetery Enterprise Fund.

B. RECEIVABLES AND PAYABLES

The Primary Government had \$59,063,000 in accounts receivable at year-end. The major Governmental activities receivable was \$31,107,000 in economic development and housing loans made from the Community Development Special Revenue Fund. The major Business-type receivables were \$13,152,000 in the Water Fund, \$2,272,000 in the Refuse Fund, \$1,043,000 in the War Memorial Fund, \$566,000 in the Cemetery Fund and \$338,000 in the Parking Fund.

Receivables are reported net of allowance for uncollectibles, which were established based on current collection experience. Allowances for uncollectibles for major revenue sources are as follows: General Fund property taxes (\$3,170,000), Water Fund (\$1,879,000) and Refuse Fund (\$3,094,000).

The amount due from other governments to the City, as presented in the fund level statements as of June 30, 2013, was \$66,234,000. This was comprised of the following items: \$9,346,000 from New York State, \$41,319,000 from Monroe County, \$15,397,000 from the Federal Government, and \$172,000 from others.

In the fall of Fiscal Year 2013, the City of Rochester reached an agreement to allow Winn Development LLC to acquire the Sibley Building from the previous owner Rochwil Associates LP. As a result of this transaction, the City has reduced PILOT revenue in the General fund by the full amount of the outstanding receivable of \$6,134,730 due from Rochwil Associates; this reduction in revenue was fully offset by Nonspendable fund balance for past due receivables in the General Fund. The outstanding obligation of \$3,177,345 for the U.S. Department of Housing and Urban Development (HUD) Section 108 Loan to Rochwil Associates LP has been paid off by the City, \$2,582,345 and \$595,000 was expensed in the Internal Service Fund and Community Development Fund, respectively.

Two PILOT agreements with outstanding receivables totaling \$506,327, one to SJ Parking LLC in the amount of \$153,951 and a second to Windsor Manufacturing in the amount of \$352,376, have reduced PILOT revenue by the outstanding obligation in the General fund; this reduction in revenue was fully offset by Nonspendable fund balance for past due receivables in the General Fund.

The amount due from other governments and the primary government to the School District as of June 30, 2013 was \$59,353,000. This was comprised of the following items: \$31,623,000 from New York State, \$20,323,000 from the Federal Government and \$7,407,000 from other sources.

The Primary Government had \$54,207,000 in accounts payable and accrued liabilities at year-end. This was principally made up of vouchers expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

The School District Component Unit had \$80,447,000 in accounts payable and accrued liabilities at year-end. This was principally made up of vouchers expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

C. CAPITAL ASSETS

Changes in Governmental Activities Capital Assets (000's Omitted):

| Class | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|-------------------------|------------------|-----------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 25,316 | \$ 82 | \$ 355 | \$ 25,043 |
| Construction-in-progress | 1,791 | 1,753 | 2,512 | 1,032 |
| Total capital assets, not being depreciated | <u>27,107</u> | <u>1,835</u> | <u>2,867</u> | <u>26,075</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 230,056 | 6,375 | 1,331 | 235,100 |
| Improvements other than buildings | 55,500 | 2,049 | 461 | 57,088 |
| Machinery, equipment, and vehicles | 102,484 | 9,222 | 7,685 | 104,021 |
| Infrastructure | 539,144 | 33,137 | 1,933 | 570,348 |
| Total capital assets, being depreciated | <u>927,184</u> | <u>50,783</u> | <u>11,410</u> | <u>966,557</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 89,204 | 6,391 | 122 | 95,473 |
| Improvements other than buildings | 19,017 | 2,129 | 107 | 21,039 |
| Machinery, equipment, and vehicles | 59,049 | 9,183 | 7,101 | 61,131 |
| Infrastructure | 130,128 | 9,543 | 285 | 139,386 |
| Total accumulated depreciation | <u>297,398</u> | <u>27,246</u> | <u>7,615</u> | <u>317,029</u> |
| Total capital assets, being depreciated, net: | <u>629,786</u> | <u>23,537</u> | <u>3,795</u> | <u>649,528</u> |
| Governmental activities capital assets, net: | <u>\$ 656,893</u> | <u>\$ 25,372</u> | <u>\$ 6,662</u> | <u>\$ 675,603</u> |

Changes in Business-type Activities Capital Assets (000's Omitted)

| Class | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|-------------------------|-----------|-----------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 10,439 | \$ 22 | \$ 354 | \$ 10,107 |
| Construction-in-progress | 765 | 4,854 | 839 | 4,780 |
| Total capital assets, not being depreciated | 11,204 | 4,876 | 1,193 | 14,887 |
| Capital assets, being depreciated: | | | | |
| Buildings | 221,403 | 846 | 29 | 222,220 |
| Improvements other than buildings | 254,865 | 9,095 | - | 263,960 |
| Machinery, equipment, and vehicles | 31,819 | 1,861 | 658 | 33,022 |
| Total capital assets, being depreciated | 508,087 | 11,802 | 687 | 519,202 |
| Less accumulated depreciation for: | | | | |
| Buildings | 112,572 | 4,831 | - | 117,403 |
| Improvements other than buildings | 113,459 | 5,614 | - | 119,073 |
| Machinery, equipment, and vehicles | 19,927 | 3,434 | 293 | 23,068 |
| Total accumulated depreciation | 245,958 | 13,879 | 293 | 259,544 |
| Total capital assets, being depreciated, net: | 262,129 | (2,077) | 394 | 259,658 |
| Business-type activities capital assets, net: | \$ 273,333 | \$ 2,799 | \$ 1,587 | \$ 274,545 |

Depreciation expense was charged to City functions and programs as follows (000's omitted):

Governmental activities:

| | |
|--|-----------|
| General government | \$ 5,136 |
| Police | 2,283 |
| Fire | 2,242 |
| Emergency communications | 316 |
| Transportation | 9,564 |
| Environmental services | 3,490 |
| Parks & recreation | 1,886 |
| Library | 985 |
| Community development | 1,344 |
| Total depreciation expense - governmental activities | \$ 27,246 |

Business-type activities:

| | |
|---|-----------|
| Water | \$ 6,958 |
| Parking | 2,966 |
| War Memorial | 1,110 |
| Refuse | 2,264 |
| Cemetery | 389 |
| Public market | 192 |
| Total depreciation expense - business type activities | \$ 13,879 |
| Total depreciation - Primary Government | \$ 41,125 |

Discretely Presented Component Unit
Changes in the School District's Capital Assets (000's Omitted):

| Class | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|---------------------------------|------------------|------------------|----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 17,439 | \$ - | \$ - | \$ 17,439 |
| Construction-in-progress | 16,104 | 96,750 | 10,551 | 102,303 |
| Total capital assets, not being depreciated | <u>33,543</u> | <u>96,750</u> | <u>10,551</u> | <u>119,742</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 591,838 | 3,053 | 546 | 594,345 |
| Equipment and other | 51,118 | 7,136 | 4,405 | 53,849 |
| Total capital assets, being depreciated | <u>642,956</u> | <u>10,189</u> | <u>4,951</u> | <u>648,194</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 239,008 | 18,980 | 546 | 257,442 |
| Equipment and other | 36,966 | 5,692 | 3,779 | 38,879 |
| Total accumulated depreciation | <u>275,974</u> | <u>24,672</u> | <u>4,325</u> | <u>296,321</u> |
| Total capital assets, being depreciated, net: | <u>366,982</u> | <u>(14,483)</u> | <u>626</u> | <u>351,873</u> |
| School District capital assets, net: | <u>\$ 400,525</u> | <u>\$ 82,267</u> | <u>\$ 11,177</u> | <u>\$ 471,615</u> |

D. CURRENT DEBT RELATED LIABILITIES

The following tables summarize changes in the City's current debt related liabilities for the year ended June 30, 2013:

Changes in Current Debt Related Liabilities – Governmental Activities (000's Omitted):

| | <u>Balance</u> <u>July 1, 2012</u> | <u>New Issues/ Additions</u> | <u>Maturities/ Reductions</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due Within One Year</u> |
|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|--|--------------------------------|
| Bond Anticipation Notes | | | | | |
| Public improvement | \$ 49,138 | \$ 6,296 | \$ (49,138) | \$ 6,296 | \$ 6,296 |
| Library | 1,090 | - | (1,090) | - | - |
| Sewer | 225 | - | (225) | - | - |
| Total Bond Anticipation Notes | <u>\$ 50,453</u> | <u>\$ 6,296</u> | <u>\$ (50,453)</u> | <u>\$ 6,296</u> | <u>\$ 6,296</u> |

Changes in Current Debt Related Liabilities – Business-type Activities (000's Omitted):

| | <u>Balance</u> <u>July 1, 2012</u> | <u>New Issues/ Additions</u> | <u>Maturities/ Reductions</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due Within One Year</u> |
|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|--|--------------------------------|
| Bond Anticipation Notes | | | | | |
| Water | \$ 28,250 | \$ 1,485 | \$ (28,250) | \$ 1,485 | \$ 1,485 |
| Parking | 5,690 | 891 | (5,690) | 891 | 891 |
| Cemeteries | - | - | - | - | - |
| Public Market | - | - | - | - | - |
| Total Bond Anticipation Notes | <u>\$ 33,940</u> | <u>\$ 2,376</u> | <u>\$ (33,940)</u> | <u>\$ 2,376</u> | <u>\$ 2,376</u> |

As of June 30, 2013, the City had one Bond Anticipation Note for \$8,672,000 at 1.00% maturing August 14, 2013. As reported above, this BAN was the combined short term financing for capital projects in governmental activities and business-type activities.

The following table summarizes changes in the School District Component Unit's City's current debt related liabilities for the year ended June 30, 2013:

Changes in Current Related Liabilities – School District (000's Omitted):

| | <u>Balance</u> <u>July 1, 2012</u> | <u>New Issues/ Additions</u> | <u>Maturities/ Reductions</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due Within One Year</u> |
|--------------------------------|---------------------------------------|----------------------------------|-----------------------------------|--|--------------------------------|
| Bond Anticipation Notes | | | | | |
| Capital Projects Fund | \$ 35,162 | \$ - | \$ (35,162) | \$ - | \$ - |
| Total Bond Anticipation Notes | <u>\$ 35,162</u> | <u>\$ -</u> | <u>\$ (35,162)</u> | <u>\$ -</u> | <u>\$ -</u> |

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2013:

Changes in Long-term Liabilities – Governmental Activities (000's Omitted):

| | Balance July 1, 2012 | New Issues/ Additions | Maturities/ Reductions | Balance June 30, 2013 | Due Within One Year |
|--------------------------------------|-------------------------|--------------------------|---------------------------|--------------------------|------------------------|
| General Obligation Bonds | | | | | |
| Public improvement | \$ 49,830 | \$ 77,084 | \$ (12,220) | \$ 114,694 | \$ 16,449 |
| Sewer | 2,150 | 110 | (460) | 1,800 | 435 |
| Library | 1,615 | 960 | (375) | 2,200 | 505 |
| Local Works | - | 3,000 | - | 3,000 | - |
| Premium | - | 9,086 | - | 9,086 | 705 |
| Total General Obligation Bonds | 53,595 | 90,240 | (13,055) | 130,780 | 18,094 |
| Other Noncurrent liabilities: | | | | | |
| NYS Canal Corp. Lease | 636 | 91 | (182) | 545 | 91 |
| Workers' compensation | 9,302 | 4,234 | (3,425) | 10,111 | 4,145 |
| Pollution remediation | 12,224 | 470 | (1,083) | 11,611 | - |
| OPEB liability | 247,063 | 89,878 | (52,862) | 284,079 | - |
| Total Other Noncurrent liabilities | 269,225 | 94,673 | (57,552) | 306,346 | 4,236 |
| TOTAL NONCURRENT LIABILITIES | \$ 322,820 | \$ 184,913 | \$ (70,607) | \$ 437,126 | \$ 22,330 |

Changes in Long-term Liabilities – Business-type Activities (000's Omitted):

| | Balance July 1, 2012 | New Issues/ Additions | Maturities/ Reductions | Balance June 30, 2013 | Due Within One Year |
|--------------------------------------|-------------------------|--------------------------|---------------------------|--------------------------|------------------------|
| General Obligation Bonds | | | | | |
| Water | \$ 26,365 | \$ 28,136 | \$ (3,855) | \$ 50,646 | \$ 5,546 |
| War Memorial | 12,975 | - | (880) | 12,095 | 890 |
| Parking | 16,370 | 5,710 | (1,945) | 20,135 | 2,585 |
| Cemeteries | 130 | 1,000 | (25) | 1,105 | 25 |
| Public Market | 225 | - | (225) | - | - |
| Premium | - | 3,310 | - | 3,310 | 246 |
| Total General Obligation Bonds | 56,065 | 38,156 | (6,930) | 87,291 | 9,292 |
| Other Noncurrent liabilities: | | | | | |
| Workers' compensation | 5,592 | 3,012 | (2,266) | 6,338 | 2,598 |
| OPEB liability | 19,792 | 7,672 | (4,231) | 23,233 | - |
| Total Other Noncurrent liabilities | 25,384 | 10,684 | (6,497) | 29,571 | 2,598 |
| TOTAL NONCURRENT LIABILITIES | \$ 81,449 | \$ 48,840 | \$ (13,427) | \$ 116,862 | \$ 11,890 |

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the General Fund satisfies most liabilities for Governmental activities. In regard to Business-type activities, other noncurrent liabilities are allocated to the appropriate proprietary fund.

The following table summarizes changes in the School District Component Unit's noncurrent and debt-related liabilities for the year ended June 30, 2013:

Changes in Noncurrent and Debt Related Liabilities – School District (000's Omitted):

| | Balance July 1, 2012 | New Issues/ Additions | Maturities/ Reductions | Balance June 30, 2013 | Due Within One Year |
|-------------------------------------|----------------------------|--------------------------|---------------------------|-----------------------------|---------------------------|
| General Obligation Bonds | | | | | |
| General Fund | \$ 138,556 | \$ 85,348 | \$ (52,091) | \$ 171,813 | \$ 16,413 |
| Premium | - | 8,046 | - | 8,046 | 660 |
| Other Noncurrent Liabilities | | | | | |
| OPEB Liability | 161,806 | 29,303 | (15,432) | 175,677 | - |
| NYS Education Department (EPE) | 4,258 | - | (2,129) | 2,129 | 2,129 |
| NYS Special Purpose Bonds - 2003 | 1,436 | - | (1,436) | - | - |
| NYS Lottery advance | 15,333 | - | (666) | 14,667 | 667 |
| NYS Teachers' Retirement Incentive | 8,514 | - | (2,867) | 5,647 | 2,824 |
| NYS Employees' Retirement Incentive | 2,550 | - | (850) | 1,700 | 850 |
| RJSCB School Facility Revenue Bonds | 124,100 | 103,055 | - | 227,155 | 3,345 |
| Premium | 10,507 | 16,045 | (657) | 25,895 | 1,601 |
| Claims payable | 22,061 | 38,945 | (33,815) | 27,191 | 9,721 |
| Compensated absences | 2,613 | 7,397 | (7,949) | 2,061 | 2,061 |
| Installment purchase debt | 12,466 | 3,181 | (3,675) | 11,972 | 2,696 |
| Total Other Noncurrent Liabilities | 365,644 | 197,926 | (69,476) | 494,094 | 25,894 |
| TOTAL NONCURRENT LIABILITIES | \$ 504,200 | \$ 291,320 | \$ (121,567) | \$ 673,953 | \$ 42,967 |

The District's other noncurrent liabilities are liquidated in the fund where the liability was incurred, which is normally the General Fund. In addition, a first-in, first out (FIFO) approach is used to estimate the amount of compensated absences that will become due within one year.

1. Dormitory Authority of the State of New York

During fiscal year 2003 the City financed \$30,295,000 through the Dormitory Authority of the State of New York to advance refund \$29,875,900 of general obligation bonds, now considered defeased, and \$419,100 of associated issuing costs. This was done to restructure School District debt service payments to more closely match New York state reimbursement levels for building aid, which are over a more extended timeframe. Based on a present value analysis, the School District had a \$977,900 economic loss resulting from extending the term of the debt. The proceeds from this refunding issue are held in an irrevocable trust on behalf of the original bondholders, thus eliminating the liability for refinanced bonds. The indebtedness to the Dormitory Authority is secured with the assignment and pledge of state education aid.

On September 12, 2012, the District issued \$15,295,000 in general obligation bonds with an average interest rate of 2.79% to refund \$15,751,000 of outstanding 2002 C Series bonds with an average interest rate of 5.13%. The net proceeds of \$16,016,465 (after payment of \$198,252 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the District's financial statements. The District refunded the bonds to take advantage of interest rates that were an unprecedented low. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$2,639,230. As of June 30, 2013, the amount outstanding was \$14,400,000.

2. Debt Service Requirements

A schedule of City and School District debt service requirements for general obligation bonds which are payable during future years ended June 30 are as follows (000's Omitted):

| Fiscal Year Ending June 30 | Governmental Activities | | Business-Type Activities | | School District | | Total |
|-------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2014 | \$ 17,389 | \$ 4,669 | \$ 9,046 | \$ 3,433 | \$ 16,413 | \$ 6,800 | \$ 57,750 |
| 2015 | 17,875 | 4,223 | 9,150 | 3,138 | 17,480 | 6,256 | 58,122 |
| 2016 | 14,765 | 3,503 | 8,815 | 2,767 | 17,530 | 5,600 | 52,980 |
| 2017 | 12,715 | 2,900 | 7,895 | 2,395 | 17,855 | 4,912 | 48,672 |
| 2018 | 11,305 | 2,344 | 7,290 | 2,045 | 17,965 | 4,135 | 45,084 |
| 2019-2023 | 33,270 | 5,626 | 29,680 | 5,482 | 67,095 | 9,943 | 151,096 |
| 2024-2028 | 12,545 | 960 | 12,105 | 872 | 16,675 | 1,159 | 44,316 |
| 2029-2032 | 1,830 | 99 | - | - | 800 | 24 | 2,753 |
| | <u>\$ 121,694</u> | <u>\$ 24,324</u> | <u>\$ 83,981</u> | <u>\$ 20,132</u> | <u>\$ 171,813</u> | <u>\$ 38,829</u> | <u>\$ 460,773</u> |

A schedule of outstanding bond issues for the City and the School District follows:

Outstanding Bond Issues – June 30, 2013

| Issue | Rate (%) | Principal Balance | Amount Issued | Final Maturity | Capital Project Fund Categories (1) |
|---|----------|-----------------------|---------------|--------------------|-------------------------------------|
| General Obligation-1994, Series A | 5.000 | \$ 3,170,000 | \$ 63,577,000 | August 15, 2022 | G,L,P,R,S,W,Sch |
| General Obligation-1996, Series A | 5.000 | 405,000 | 70,690,000 | September 15, 2023 | G,L,P,S,W,Sch |
| General Obligation-1996, Series B (Taxable) | 6.700 | 3,855,000 | 9,380,000 | September 15, 2024 | Parking only |
| General Obligation Serial Bonds-1997 | 5.000 | 3,925,000 | 55,960,000 | October 1, 2025 | G,L,P,S,W,Sch |
| General Obligation Serial Bonds-1999 | 5.250 | 10,395,000 | 69,575,000 | October 1, 2026 | G,W,S,L,WM,Sch |
| General Obligation Serial Bonds-2001, Series A | 4.250 | 1,360,000 | 29,275,000 | October 15, 2027 | G,L,S,W,Sch |
| General Obligation Serial Bonds-2001, Series B | 5.000 | 1,700,000 | 35,350,000 | February 15, 2028 | G,S,PM,WM,W,Sch |
| General Obligation Serial Bonds-2004, Series A | 3.000 | 4,835,000 | 47,000,000 | October 15, 2031 | G,S,W,P,PM,Sch |
| General Obligation Serial Bonds-2004, Series B | 3.500 | 2,720,000 | 54,605,000 | February 15, 2031 | G,S,W,WM,P,Sch |
| General Obligation Serial Bonds-2006, Series A | 3.750 | 29,860,000 | 58,320,000 | February 15, 2025 | G,S,W,Sch |
| General Obligation Serial Bonds-2006, Series B | 3.750 | 10,020,000 | 41,800,000 | October 15, 2024 | G,S,W,P,Sch |
| General Obligation Serial Bonds-2008, Series A | 3.250 | 7,055,000 | 19,005,000 | February 1, 2022 | G,S,W,P |
| General Obligation Serial Bonds-2008, Series B | 3.000 | 19,070,000 | 39,220,000 | October 15, 2026 | G,S,W,P,Sch |
| General Obligation Serial Bonds-2009, Series C1 | 5.110 | 60,765,000 | 92,996,949 | February 10, 2024 | G,S,L,W,P,C,PM,Sch |
| General Obligation Serial Bonds-2009, Series C2 (Taxable) BAB (2) | 5.521 | 3,215,000 | 3,215,000 | February 10, 2019 | G,S,W,P,Sch |
| General Obligation Serial Bonds-2009, Series C3 (Taxable) RZB (3) | 5.521 | 1,830,000 | 1,830,000 | February 10, 2024 | G,W,P |
| General Obligation Serial Bonds-2010, QECB | 2.000 | 1,300,000 | 2,166,400 | July 1, 2015 | G,L,P |
| General Obligation Serial Bonds-2012, Series I | 1.000 | 66,943,000 | 66,943,000 | August 15, 2027 | G,S,L,W,P,Sch |
| General Obligation Serial Bonds-2012, Series II (4) | 2.000 | 5,560,000 | 5,655,000 | August 15, 2019 | School only |
| General Obligation Serial Bonds-2012, Series III (4) | 2.000 | 8,840,000 | 9,640,000 | February 15, 2025 | School only |
| General Obligation Serial Bonds-2012, Series IV (4) | 2.000 | 14,655,000 | 14,655,000 | October 15, 2031 | G,S,W,Sch |
| General Obligation Serial Bonds-2012, Series V (4) | 2.000 | 19,390,000 | 19,390,000 | February 15, 2031 | G,S,W,P,Sch |
| General Obligation Serial Bonds-2013, Series I | 4.000 | 29,150,000 | 29,150,000 | February 1, 2025 | G,L,W,P,C |
| General Obligation Serial Bonds-2013, Series II | 3.000 | 67,470,000 | 67,470,000 | February 1, 2029 | G,W,P,Sch |
| Total | | <u>\$ 377,488,000</u> | | | |

(1) Capital Project Fund Categories: C = Cemeteries, G = Public Improvements, L = Library, LW=Local Works, P = Parking, PM= Public Market, R = Refuse, S = Sewer, Sch = School District, W = Water, WM = War Memorial

(2) Build American Bonds as authorized under the American Recovery and Reinvestment Act (ARRA) of 2009

(3) Recovery Zone Bonds as authorized under the American Recovery and Reinvestment Act (ARRA) of 2009

(4) Refunding

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 a period equivalent to one-half of the period of probable usefulness for each improvement as defined by the New York State Local Finance Law. The interest rates on long-term debt range from 1.0% to 6.7% with

maturity dates through fiscal 2032. Bonds authorized but unissued as of June 30, 2013 amounted to \$43,460,000 which includes \$230,000 for the facilities modernization program of the Rochester Joint School Construction Board. The debt-contracting margin of the City as of June 30, 2013, was \$197,730,000.

On November 15, 2012, the City of Rochester issued \$34,045,000 in general obligation bonds of which \$11,555,000 were issued on behalf of the City and \$22,490,000 were issued on behalf of the District, with an average interest rate of 3.49% to advance refund \$34,890,000 of outstanding 2004 Series bonds of which \$12,160,000 were refunded on behalf of the City and \$22,730,000 were refunded on behalf of the District, with an average interest rate of 3.9%. The net proceeds of \$37,017,668 (after payment of \$334,874 in underwriting fees, insurance and other issuance costs), of which the City's share of net proceeds is \$12,158,349 (after payment of \$115,867 in underwriting fees, insurance and other issuance costs) and the District's share of net proceeds is \$24,859,319 (after payment of \$219,007 in underwriting fees, insurance and other issuance costs), were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the City's and the District's financial statements. The City and 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 total debt is \$2,107,577, of which the City's share is \$1,571,445, and the District's share is \$536,132.

The City is in compliance with Internal Revenue Service regulations regarding arbitrage restrictions on tax-exempt bonds. No arbitrage rebate payments were due or made during fiscal 2013.

F. POLLUTION REMEDIATION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB Statement No. 49 does not require the City to search for pollution, it does require the City to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the City is compelled to take action;
- The City is in violation of a pollution related permit or license;
- The City is named or has evidence that it will be named as responsible party by a regulator;
- The City is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The City commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the City. The City's Department of Environmental Services has primary responsibility for managing remediation related issues. The City has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. The standard requires the City to calculate pollution remediation liabilities using the expected cash flow technique. Excluded from current liability recognition is the remediation of two landfills for which the extent of the City's cleanup liability, if any, is unclear.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the City's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During the fiscal year, the City recognized estimated additional liabilities of \$470,000, and spent \$1,083,000 in pollution remediation obligation related activities. At June 30, 2013, the City had an outstanding pollution remediation liability of \$11,611,000.

G. TRANSFER OF SEWER AND WASTE DISPOSAL FACILITIES

Effective January 2011 the City entered into a contract with the Rochester Pure Waters District (RPWD) under which the City agreed to transfer all of its sewer system and waste treatment facilities to RPWD. Sewer system and waste treatment facilities which are still subject to outstanding bonds may not be transferred until all bonds associated with a particular project have matured. At June 30, 2013, capital assets with an acquisition cost of \$5,260,326 and a net asset value of \$4,492,573 remain to be transferred to RPWD because of outstanding bonds. The transfer of all remaining capital assets from the City to RPWD is scheduled to be completed by June 30, 2021.

Prior to this agreement, the City had a contract with the Rochester Pure Waters District (RPWD), under which RPWD had a long term lease on all of the City's sewer system and waste treatment facilities and assumed much of the related debt service costs on obligations incurred by the City in connection with these facilities.

H. LEASE FROM NYS CANAL CORPORATION

The City has a 20-year operating lease with the New York Canal Commission for a strip of land that provides riverfront access to the Corn Hill Landing Project, a residential and commercial development. In accordance with the agreement, the City will make annual payments of \$203,275 during the second half of the lease, fiscal years 2012 through 2021. As of June 30, 2013, the accrued lease liability (net of receivables from a sublease) was \$546,685. The lease has a renewable option for an additional 20-year term. In a related agreement, the City has provided for public access to the waterfront and adjacent areas with the purchase of a permanent easement from the Corn Hill Landing developer.

IV. OTHER INFORMATION**A. RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been fully self-insured for all workers' compensation and general liability risks for over thirty years. Settled claims have not exceeded established reserves. Workers' compensation claims are funded from a liability reserve in the General Fund, Special Revenue, and Enterprise Funds. General liability and property liability claims are funded from contributions made to a Claims Settlement Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 2013, the amount of these liabilities was \$19,638,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2011 resulted from the following (000's Omitted):

| | Workers' Compensation | General Liability | Total |
|--------------------------------|----------------------------------|------------------------------|-------------------------|
| Estimated claims June 30, 2011 | \$ 15,247 | \$ 2,990 | \$ 18,237 |
| Claims incurred 2011-12 | 4,708 | 10,883 | 15,591 |
| Payments 2011-12 | (5,024) | (10,560) | (15,584) |
| Estimated claims June 30, 2012 | <u>\$ 14,931</u> | <u>\$ 3,313</u> | <u>\$ 18,244</u> |
| Claims incurred 2012-13 | \$ 7,209 | \$ 1,007 | \$ 8,216 |
| Payments 2012-13 | (5,691) | (1,131) | (6,822) |
| Estimated claims June 30, 2013 | <u><u>\$ 16,449</u></u> | <u><u>\$ 3,189</u></u> | <u><u>\$ 19,638</u></u> |

Effective January 1, 2013, both the City and the District transitioned from an experienced-rated to a self-insured health insurance model administered by third party administrators. The City and District both purchase stop loss insurance to reimburse for individual claims in excess of \$350,000.

The City uses premium equivalent rates provided by its third party administrator to allocate health insurance expenses to each operating fund, as appropriate, and makes interfund transfers to the Internal Service fund in order to pay health claims and administrative fees. As of June 30, 2013, the Internal Service fund had \$4,644,000 of net position restricted for health insurance expenses.

Third party insurance is maintained by the School District on vehicles, boilers and machines, stop loss for major medical benefits, aviation and pupil accidents. Also, the School District carries a general liability policy with a self-insured retention of \$500,000 and a \$10,000,000 limit for each occurrence and \$10,000,000 limit for general aggregate.

The schedule below presents the changes in the School District's estimated claims since June 30, 2011 for workers' compensation and major medical programs. The estimated claims for workers' compensation represent claims that have occurred and are open, due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The calculation is based on the present value of future payouts.

The estimated claims for major medical represent an amount based on prior experience with actual payments of claims (000's Omitted):

| | <u>Workers' Compensation</u> | <u>Major Medical</u> | <u>Total</u> |
|--------------------------------|----------------------------------|----------------------|------------------|
| Estimated claims June 30, 2011 | \$ 21,397 | \$ - | \$ 21,397 |
| Claims incurred 2011-12 | 4,252 | - | 4,252 |
| Payments 2011-12 | <u>(3,623)</u> | - | <u>(3,623)</u> |
| Estimated claims June 30, 2012 | \$ 22,026 | \$ - | \$ 22,026 |
| Claims incurred 2012-13 | \$ 4,796 | \$ 34,056 | \$ 38,852 |
| Payments 2012-13 | <u>(4,241)</u> | <u>(29,480)</u> | <u>(33,721)</u> |
| Estimated claims June 30, 2013 | <u>\$ 22,581</u> | <u>\$ 4,576</u> | <u>\$ 27,157</u> |

B. CONTINGENT LIABILITIES

Amounts received or receivables from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the City's Corporation Counsel, the resolution of these matters will not have a material adverse effect on the financial condition or results of operation.

C. POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE & FIREFIGHTER DISABILITY)

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2006, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2006 liability.

Plan Description. The City provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the City. Based on collective bargaining agreements, the retiree, and his or her beneficiaries, receives this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of premium costs range from 0% to 25%, depending on the employee group and length of service. Also, under requirements of state and local law, the City compensates firefighters that retire due to disability until the mandatory retirement age of 70. This compensation is equal to the differential between the retiree's pension and the salary that they would be paid if still in active service. There are currently 66 firefighters receiving such compensation.

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

The number of participants as of July 1, 2011, the effective date of the biannual OPEB valuation, follows:

| | <u>City</u> | <u>School District</u> | <u>Total</u> |
|-------------------|--------------|----------------------------|---------------|
| Active employees | 2,921 | 5,523 | 8,444 |
| Retired employees | <u>3,043</u> | <u>3,598</u> | <u>6,641</u> |
| Total | <u>5,964</u> | <u>9,121</u> | <u>15,085</u> |

Funding Policy. The City and the District currently pay for postemployment health care benefits on a pay-as-you-go basis. Although both entities are studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual Other Postemployment Benefit Cost. For the fiscal year ended June 30, 2013, the City's annual OPEB cost (expense) of \$58,256,000 is not equal to the Annual Required Contribution which is \$46,669,000. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$17,797,000 for retirees and their beneficiaries, the result was an increase in the Net OPEB Obligation of \$40,459,000 for the year ended June 30, 2013.

Considering the District's annual expense as well as the payment of current health insurance premiums, which totaled \$15,431,000, the result was an increase in the District's Net OPEB Obligation of \$13,872,000 for the year ended June 30, 2013.

Level Dollar Amortization (000's Omitted):

Calculation of ARC under Projected Unit Credit Method

| | City | School District | Total |
|--|------------|-----------------|------------|
| Annual required contribution (ARC) | \$ 46,669 | \$ 35,930 | \$ 82,599 |
| Interest on Net OPEB Obligation | 10,674 | 6,472 | 17,146 |
| Adjustment to ARC | 913 | (13,099) | (12,186) |
| Annual OPEB cost (expense) | 58,256 | 29,303 | 87,559 |
| Contribution for fiscal year ended June 30, 2013 | (17,797) | (15,431) | (33,228) |
| Increase in net OPEB obligation | 40,459 | 13,872 | 54,331 |
| Net OPEB obligation July 1, 2012 | 266,853 | 161,806 | 428,659 |
| Net OPEB obligation June 30, 2013 | \$ 307,312 | \$ 175,678 | \$ 482,990 |
| Percent of annual OPEB cost contributed | 30.55% | 52.66% | 37.95% |

The City's annual OPEB cost and contribution for year ended June 30, 2013 and the prior years were as follows:

| Fiscal Year | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|-----------------------|--|---------------------|
| 2013 | \$58,256,062 | \$17,796,544 | 30.55% | \$307,312,523 |
| 2012 | \$56,028,684 | \$24,896,572 | 44.44% | \$266,853,350 |
| 2011 | \$49,750,299 | \$19,959,895 | 40.12% | \$235,721,418 |

The District's annual OPEB cost and contribution for year ended June 30, 2013 and the prior two years were as follows:

| Fiscal Year | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|-----------------------|--|---------------------|
| 2013 | \$29,302,568 | \$15,431,413 | 52.66% | \$175,677,108 |
| 2012 | \$27,550,751 | \$14,652,284 | 53.18% | \$161,805,953 |
| 2011 | \$51,981,776 | \$18,990,689 | 36.53% | \$148,907,486 |

Funded status and funding progress. As of the most recent valuation date of July 1, 2011, both the City's and District's OPEB plans were unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$630.7 million for the City and \$412.8 million for the District. As previously mentioned, both the City's and District's post-retirement medical plan's benefits are funded on a pay-as-you-go-basis (a cash basis as benefits are paid). No assets have been segregated and restricted to provide post-retirement benefits. The total annual payrolls for all employees for the fiscal year 2012-13 who are eligible for postretirement benefits are \$201,386,096 for the City and \$288,140,402 for the District. The ratios of the unfunded actuarial accrued liability at June 30, 2013 to annual covered payroll for 2012-13 are 313% for the City and 143% for the District. A schedule of funding progress which presents multi-year information immediately follows the notes to the financial statements. No assets have been segregated and restricted to provide post-retirement benefits. The schedule of funding progress, provided as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, the City has opted to assign \$7,000,000 and the District has opted to commit \$20,889,758 of their respective General fund

balance for future OPEB costs as of June 30, 2013. Because these funds are not part of the restricted fund balance, they are not an indication of planned funding.

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. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

In the July 1, 2011 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4% rate. The valuation assumes a 9.0% healthcare cost trend increase, beginning in calendar 2013, trending downward by 1% per year until calendar year 2017 at which time the trend is projected to increase at 5% in calendar year 2017 and later. The valuation also applied a 1% inflation rate increase beginning in the calendar year 2013 and later, treating the 2011 and 2012 costs as fixed (known) costs since these inflation rates have already been released.

Medical Reimbursements. The City'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 which were \$1,025,000 for the City in fiscal year 2013, cannot be projected as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for retirees per agreement between the District and Association of Supervisors and Administrators of Rochester. As of June 30, 2013 there were 30 active participants. During fiscal year 2012-13 the District paid MRA claims totaling \$18,885.

D. EMPLOYEE RETIREMENT SYSTEMS

1. Description of Plans

The City participates in the New York State and Local Employees' Retirement System (ERS), and the New York State and Local Police and Fire Retirement System (PFRS). The School District also participates in the New York State and Local Employees' Retirement System and in the New York State and the Local Teachers' Retirement System (TRS). These are cost sharing multiple public employer retirement systems (Systems). The New York State Retirement and Social Security Laws govern obligations of employers and employees to contribute and benefits to employees. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service.

All participating employers in each System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Systems. The Systems are contributory except for Tier I and II employees who joined the Employees' Retirement System or the Teachers' Retirement System before July 27, 1976. The contribution rate for ERS Tier III, IV, and V employees is 3% of salary. Tier III and Tier IV employees contribute only during the first 10 years of service. The contribution rate for ERS Tier VI employees is 3% of salary from April 1, 2012 until March 31, 2013; thereafter, the contribution rate will be between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Retirement System.

The total payroll for all employees of the City for fiscal year 2013 was \$201,386,095 of which \$83,962,615 represented payroll costs for employees covered by ERS, \$104,186,487 by PFRS, and \$13,236,993 for nonparticipating employees. Average contribution rates for fiscal year 2013 were 18.0% for ERS and 24.9% for PFRS. All full-time police officers and firefighters are mandatory members.

The total payroll for all employees of the School District for fiscal 2013 was \$329,872,000 of which \$65,415,000 represented payroll costs for employees by ERS, \$255,663,000 by TRS, and \$8,794,000 for nonparticipating employees. Average contribution rates for fiscal 2013 were 18.9% for ERS and 11.4% for TRS. All full-time teachers are mandatory members.

2. Contributions & Liabilities

Contributions payable to the Employees' and Police and Fire Retirement Systems are billed on the basis of salaries paid during the Systems' fiscal year ending March 31 and are made in accordance with funding requirements determined by the actuaries of the Systems.

Payments to the Teachers' Retirement System which are made in accordance with funding requirements determined by the actuary of the System, are deducted from State Aid payments to the School District. The contributions for salaries paid for the year ended June 30, 2013 will be made in three monthly installments starting in September of 2013.

Contributions for the Retirement Systems made by the City over the past three fiscal years, which were equal to the required contributions, were as follows (000's Omitted):

| Fiscal Year Ended June 30, | Employees' Retirement System | Police and Fire Retirement System | Total Retirement Systems |
|---------------------------------------|---|--|-------------------------------------|
| 2013 | \$ 14,581 | \$ 32,003 | \$ 46,584 |
| 2012 | 12,463 | 18,798 | 31,261 |
| 2011 | 9,506 | 16,402 | 25,908 |

Contributions for the Retirement Systems made by the School District over the past three fiscal years, which were equal to the required contributions, were as follows (000's Omitted):

| Fiscal Year Ended June 30, | Employees' Retirement System | Teachers' Retirement System | Total Retirement Systems |
|---------------------------------------|---|--|-------------------------------------|
| 2013 | \$ 12,341 | \$ 29,195 | \$ 41,536 |
| 2012 | 10,296 | 23,931 | 34,227 |
| 2011 | 8,308 | 16,169 | 24,477 |

The total unbilled liability for the City and the School District as of June 30, 2013, included in Due to other governments at the fund level, is as follows (000's Omitted):

| Government | Employees' Retirement System | Police and Fire Retirement System | Teachers' Retirement System | Total Retirement Systems |
|-------------------|---|--|--|---|
| City | \$ 4,250 | \$ 6,515 | \$ - | \$ 10,765 |
| School District | 4,824 | - | 32,516 | 37,340 |
| Total | <u>\$ 9,074</u> | <u>\$ 6,515</u> | <u>\$ 32,516</u> | <u>\$ 48,105</u> |

The total liability as of June 30, 2013 includes the period of April 1, 2013 - June 30, 2013 for the Employees' and Police and Fire Retirement Systems; and the period July 1, 2011 to June 30, 2013 for the Teachers' Retirement System. These amounts represent a portion of the estimated billings of the New York State retirement systems based on the fiscal year of the plans. It is the policy of the City and the School District to record pension costs on the modified accrual basis for governmental funds. Pension costs of the proprietary funds are recognized on the accrual basis.

The annual report containing financial statements and required supplemental information for the Employees' and the Police and Fire Retirement Systems, may be obtained from the New York State and Local Retirement Systems, 100 State Street, Governor Smith State Building, Albany, NY 12244. The annual report for the New York State Teachers' Retirement System may be obtained by writing to 10 Corporate Woods Drive, Albany, NY 12211-2935.

3. Prior Plan

Prior to its participation in the New York State Police and Fire Retirement System, the City had a pension plan that covered firemen, policemen and their widows. It is the policy of the City to provide for payments to the beneficiaries of this plan out of current operations. The City is not required to pay benefits under this plan and the beneficiaries do not have a vested right to benefits. During the year ended June 30, 2013, the City paid approximately \$15,000. On June 30, 2013 there was 1 widow and no retired employees receiving payments under this plan. The pension benefit obligation of this plan is not significant to the City.

E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

To improve cash management, all City disbursements are made from a consolidated account in the general fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the primary reasons why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year. The following schedule summarizes individual fund interfund receivables and payables at June 30, 2013 (000's Omitted):

| Due To: | Due From: | | | | | | | Total |
|------------------------|------------------|------------------|------------------------|-----------------|-----------------------|------------------|-----------------|-------------------|
| | General | General Capital | Transportation Capital | Community Dev | Nonmajor Governmental | Internal Service | Proprietary | |
| General | \$ - | \$ 87,088 | \$ 1,325 | \$ 3,468 | \$ 1,143 | \$ 7,000 | \$ 3,133 | \$ 103,157 |
| General Capital | 12,841 | 1 | - | - | - | - | - | 12,842 |
| Transportation Capital | 2,730 | - | - | - | - | - | - | 2,730 |
| Community Development | 1,869 | - | - | - | - | - | - | 1,869 |
| Nonmajor governmental | 6,820 | - | 9,707 | - | 1,279 | - | 8 | 17,814 |
| Internal Service | 1,187 | - | - | - | - | - | - | 1,187 |
| Proprietary | 753 | - | - | - | 15 | - | - | 768 |
| Total | <u>\$ 26,200</u> | <u>\$ 87,089</u> | <u>\$ 11,032</u> | <u>\$ 3,468</u> | <u>\$ 2,437</u> | <u>\$ 7,000</u> | <u>\$ 3,141</u> | <u>\$ 140,367</u> |

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to capital project funds. They also facilitate the contribution of enterprise earnings to the general fund. Interfund transfers for the fiscal year ending June 30, 2013, which were routine in nature, were as follows (000's Omitted):

| Transfer out: | Transfer In: | | | | | | | | | Total |
|--|------------------|-----------------|------------------|------------------------|-----------------------|--|---------------------------------------|------------------|-------------|------------------|
| | General | Debt Service | General Capital | Transportation Capital | Community Development | Nonmajor Governmental capital projects | Nonmajor Governmental Special Revenue | Internal Service | Proprietary | |
| General | \$ - | \$ - | \$ 28,991 | \$ 905 | \$ - | \$ 275 | \$ 280 | \$ 7,442 | \$ - | \$ 37,893 |
| Debt Service | 2,415 | - | - | - | - | - | - | - | - | 2,415 |
| General Capital | 372 | 186 | - | - | 800 | - | - | - | - | 1,358 |
| Transportation Capital | 3,064 | 630 | - | - | - | - | - | - | - | 3,694 |
| Nonmajor governmental-capital projects | - | 428 | - | - | - | - | - | - | - | 428 |
| Nonmajor governmental-special revenue | 4,003 | - | - | 3,957 | - | - | 749 | - | - | 8,709 |
| Water | 5,374 | - | - | - | - | - | - | - | - | 5,374 |
| Internal Service | - | - | - | - | 2,582 | - | - | - | - | 2,582 |
| | <u>\$ 15,228</u> | <u>\$ 1,244</u> | <u>\$ 28,991</u> | <u>\$ 4,862</u> | <u>\$ 3,382</u> | <u>\$ 275</u> | <u>\$ 1,029</u> | <u>\$ 7,442</u> | <u>\$ -</u> | <u>\$ 62,453</u> |

The City of Rochester, New York

Required Supplemental Information

**THE CITY OF ROCHESTER, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND ENTERPRISE FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2013(000's Omitted)**

| | <u>General Fund</u> | | <u>Special Revenue Fund</u> | | <u>Enterprise Funds</u> | | <u>Total</u> | | | |
|--------------------------------------|---------------------|----------------|-----------------------------|---------------|-------------------------|---------------|-----------------|----------------|----------------|-----------------|
| | <u>Final</u> | <u>Actual</u> | <u>Final</u> | <u>Actual</u> | <u>Final</u> | <u>Actual</u> | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variance</u> |
| REVENUES | | | | | | | | | | |
| Real property tax | \$ 139,939 | \$ 143,096 | \$ 6,432 | \$ 6,597 | \$ 1,998 | \$ 1,998 | \$ 148,369 | \$ 148,369 | \$ 151,691 | \$ 3,322 |
| Sales taxes | 136,986 | 136,332 | - | - | - | - | 136,986 | 136,986 | 136,332 | (654) |
| Other taxes | 19,075 | 12,790 | - | - | 905 | 905 | 19,980 | 19,980 | 13,695 | (6,285) |
| Charges for services | 12,658 | 15,033 | 21,870 | 22,164 | 76,519 | 78,283 | 107,652 | 111,047 | 115,480 | 4,433 |
| Use of money and property | 1,577 | 470 | 38 | 22 | 81 | 46 | 1,438 | 1,696 | 538 | (1,158) |
| Interest and penalties | 2,445 | 2,538 | - | - | 700 | 1,091 | 2,445 | 3,145 | 3,629 | 484 |
| Licenses and permits | 2,717 | 2,938 | - | - | - | - | 2,626 | 2,717 | 2,938 | 221 |
| Federal aid | 7,966 | 8,910 | 165 | 193 | 13 | 7 | 7,062 | 8,144 | 9,110 | 966 |
| State aid | 122,182 | 122,000 | 502 | 57 | - | - | 122,110 | 122,684 | 122,057 | (627) |
| Local sources and other | 20,440 | 22,115 | 6,827 | 6,827 | - | - | 27,468 | 27,267 | 28,942 | 1,675 |
| Total revenues | <u>465,985</u> | <u>466,222</u> | <u>35,834</u> | <u>35,860</u> | <u>80,216</u> | <u>82,330</u> | <u>576,136</u> | <u>582,035</u> | <u>584,412</u> | <u>2,377</u> |
| EXPENDITURES | | | | | | | | | | |
| Council and clerk | 1,761 | 1,714 | - | - | - | - | 1,755 | 1,761 | 1,714 | 47 |
| Administration | 9,134 | 8,316 | - | - | - | - | 9,112 | 9,134 | 8,316 | 818 |
| Information technology | 5,822 | 5,259 | - | - | - | - | 5,741 | 5,822 | 5,259 | 563 |
| Finance | 4,531 | 4,256 | - | - | 6,121 | 5,231 | 10,514 | 10,652 | 9,487 | 1,165 |
| Neighborhood development | 12,836 | 11,774 | - | - | 975 | 893 | 13,693 | 13,811 | 12,667 | 1,144 |
| Environmental services | 23,130 | 22,332 | 11,697 | 9,479 | 43,686 | 35,614 | 78,144 | 78,513 | 67,425 | 11,088 |
| Library | - | - | 10,856 | 10,785 | - | - | 10,794 | 10,856 | 10,785 | 71 |
| Police | 85,423 | 83,621 | 1,264 | 1,185 | - | - | 85,440 | 86,687 | 84,806 | 1,881 |
| Fire | 44,755 | 44,538 | - | - | - | - | 44,661 | 44,755 | 44,538 | 217 |
| Emergency communications | 13,423 | 12,729 | - | - | - | - | 13,313 | 13,423 | 12,729 | 694 |
| Recreation and youth services | 10,788 | 10,080 | - | - | 628 | 647 | 10,939 | 11,416 | 10,727 | 689 |
| Undistributed | 115,267 | 108,643 | 7,891 | 7,464 | 12,286 | 12,023 | 136,003 | 135,444 | 128,130 | 7,314 |
| Contingency | 13 | - | 88 | - | - | - | 2,696 | 101 | - | 101 |
| Debt services | 20,756 | 15,264 | 587 | 454 | 11,830 | 11,870 | 32,739 | 33,173 | 27,588 | 5,585 |
| Total expenditures | <u>347,639</u> | <u>328,526</u> | <u>32,383</u> | <u>29,367</u> | <u>75,526</u> | <u>66,278</u> | <u>455,544</u> | <u>455,548</u> | <u>424,171</u> | <u>31,377</u> |
| Excess of revenues over expenditures | <u>118,346</u> | <u>137,696</u> | <u>3,451</u> | <u>6,493</u> | <u>4,690</u> | <u>16,052</u> | <u>120,592</u> | <u>126,487</u> | <u>160,241</u> | <u>33,754</u> |

The City of Rochester, New York

Required Supplemental Information

**THE CITY OF ROCHESTER, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND ENTERPRISE FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2013(000's Omitted)**

(continued)

| | General Fund | | Special Revenue Fund | | Enterprise Funds | | Total | | | |
|---|------------------|------------------|----------------------|-----------------|------------------|-------------------|------------------|------------------|-------------------|-----------------|
| | Final | Actual | Final | Actual | Final | Actual | Original | Final | Actual | Variance |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers from other funds | \$ 20,511 | \$ 18,920 | \$ 120 | \$ - | \$ 1,212 | \$ 1,132 | \$ 23,237 | \$ 21,843 | \$ 20,052 | \$ (1,791) |
| Transfers (to) other funds | (25,177) | (37,893) | (4,576) | (4,706) | (6,495) | (11,869) | (33,002) | \$ (36,248) | (54,468) | (18,220) |
| Transfers (to) component unit | (119,100) | (119,100) | - | - | - | - | (119,100) | (119,100) | (119,100) | - |
| Total other financing uses | <u>(123,766)</u> | <u>(138,073)</u> | <u>(4,456)</u> | <u>(4,706)</u> | <u>(5,283)</u> | <u>(10,737)</u> | <u>(128,865)</u> | <u>(133,505)</u> | <u>(153,516)</u> | <u>(20,011)</u> |
| Appropriation of prior year fund balance | 5,420 | - | 1,005 | - | 593 | - | 6,821 | 7,018 | - | (7,018) |
| Deficiency of revenues and other sources over expenditures and other uses-Budget Basis | <u>\$ -</u> | <u>(377)</u> | <u>\$ -</u> | <u>1,787</u> | <u>\$ -</u> | <u>5,315</u> | <u>\$ -</u> | <u>\$ -</u> | <u>6,725</u> | <u>\$ 6,725</u> |
| Encumbrances included in actual | | <u>4,067</u> | | <u>188</u> | | <u>529</u> | | | <u>4,784</u> | |
| Excess (deficiency) of revenues and other sources over expenditures, encumbrances and other uses | | 3,690 | | 1,975 | | 5,844 | | | 11,509 | |
| Expenditures of prior years' encumbrances | | <u>867</u> | | <u>58</u> | | <u>232</u> | | | <u>1,157</u> | |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | | 2,823 | | 1,917 | | 5,612 | | | 10,352 | |
| Net enterprise capital expense | | - | | - | | (123) | | | (123) | |
| Depreciation expense | | - | | - | | (13,879) | | | (13,879) | |
| Debt service cash basis | | - | | - | | 8,584 | | | 8,584 | |
| Contribution to reserve for capital projects | | - | | - | | 6,495 | | | 6,495 | |
| Other post employment benefits | | - | | - | | (3,442) | | | (3,442) | |
| Capital and debt reimbursement | | - | | - | | (968) | | | (968) | |
| Fund equity - beginning of year | | <u>65,810</u> | | <u>7,152</u> | | <u>215,148</u> | | | <u>288,110</u> | |
| Fund equity - end of year | | <u>\$ 68,633</u> | | <u>\$ 9,069</u> | | <u>\$ 217,427</u> | | | <u>\$ 295,129</u> | |

I. BUDGETARY INFORMATION

The City Council appropriates a total expenditure budget based on projected revenues. The budget allocations among the various organizational units, as amended by City Council, are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual, General, Certain Special Revenue and Enterprise Funds, Non-GAAP - Budget Basis. The City's annual operating budget includes estimated revenues and appropriations for the general fund, enterprise funds and certain special revenue funds (Animal Control, Library, and Local Works). In accordance with City Charter provisions, budget compliance is on a departmental basis rather than at the fund level.

Since the adopted budget is on a departmental basis, rather than a fund basis, legal compliance cannot be reported as part of the Basic Financial Statements. Therefore, in compliance with GASB Statement No. 41 (*Budgetary Comparison Schedules – Perspective Differences*), a non-GAAP budget-to-actual schedule is presented as Required Supplemental Information after the Basic Financial Statements. An administrative level budget-to-actual schedule is presented as Other Supplemental Information following the combining and individual fund statements and schedules.

Appropriations for all budgets lapse at fiscal year-end. The combined General, Special Revenue, and Enterprise fund budget is adopted on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level. Current year encumbrances are included with expenditures; however, the expenditure of prior years' encumbrances are not included.

**THE CITY OF ROCHESTER, NEW YORK
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

| | <u>Actuarial Valuation Date</u> | <u>Actuarial Valuation of Asset</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|------|-------------------------------------|---|--|--------------------------------|---------------------|------------------------|--|
| 2006 | April 1, 2006 | \$ - | \$ 597,404,243 | \$ 597,404,243 | 0.0% | \$ 179,257,000 | 333.3% |
| 2007 | April 1, 2006 | - | 655,061,026 | 655,061,026 | 0.0% | 184,061,700 | 355.9% |
| 2008 | April 1, 2008 | - | 684,705,511 | 684,705,511 | 0.0% | 192,175,200 | 356.3% |
| 2009 | April 1, 2008 | - | 593,923,730 | 593,923,730 | 0.0% | 194,609,000 | 305.2% |
| 2010 | April 1, 2010 | - | 619,514,745 | 619,514,745 | 0.0% | 196,727,000 | 314.9% |
| 2011 | April 1, 2010 | - | 564,240,853 | 564,240,853 | 0.0% | 203,514,400 | 277.2% |
| 2012 | July 1, 2011 | - | 613,194,278 | 613,194,278 | 0.0% | 198,535,714 | 308.9% |
| 2013 | July 1, 2011 | - | 630,753,791 | 630,753,791 | 0.0% | 201,386,096 | 313.2% |

**SCHEDULE OF EMPLOYER CONTRIBUTION
 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

| <u>Fiscal Year</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> |
|--------------------|---|--------------------------------|-----------------------------------|
| 2006 | \$ 59,250,259 | \$ 16,975,327 | 28.65% |
| 2007 | 64,265,203 | - 18,617,500 | 28.97% |
| 2008 | 67,034,864 | 21,982,618 | 32.79% |
| 2009 | 59,935,810 | 23,289,291 | 38.86% |
| 2010 | 62,439,307 | 18,665,917 | 29.89% |
| 2011 | 53,422,069 | 19,959,895 | 37.36% |
| 2012 | 45,686,644 | 24,896,752 | 54.49% |
| 2013 | 46,668,744 | 17,796,544 | 38.13% |

Nonmajor Governmental Funds

Capital Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Economic Assistance Fund - This fund accounts for capital investments targeted to promote the City's economic development.

Cultural/Recreation Fund - This fund accounts for capital investments in the City's cultural and recreation facilities, which includes library, and parks and recreation facilities.

Sewer Fund - This fund accounts for capital investments in the City's sewer infrastructure.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

Animal Control - This fund accounts for the revenues and expenditures of the City's Animal Control Center.

Library Fund - This fund accounts for the revenues and expenditures of the City's central library and ten branch libraries.

Local Works Fund – This fund accounts for snow plowing, street cleaning and grass cutting, financed primarily by special assessments.

Federal Projects Fund – This fund accounts for a number of federal grants that provide for City programs.

State Projects Fund - This fund accounts for a number of state grants that provide for City programs.

Other Funds - This fund accounts for funds restricted by City Council for special projects.

Cemetery Fund – This fund is a perpetual care fund consisting of deposits intended to provide for the maintenance of the City's cemeteries. Interest earnings are transferred to the Cemetery Enterprise Fund to partially offset a portion of maintenance costs.

**THE CITY OF ROCHESTER, NEW YORK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013 (000's Omitted)**

| | Capital Projects | | | Special Revenue | | | | | | Total Nonmajor Governmental Funds | |
|--|---------------------|----------------------|---------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------------------------|------------------|
| | Economic Assistance | Cultural/ Recreation | Sewers | Animal Control | Library | Local Works | Federal Projects | State Projects | Cemetery | | Other |
| ASSETS | | | | | | | | | | | |
| Cash and cash equivalents | \$ 2,553 | \$ 1,951 | \$ 183 | \$ 662 | \$ 5 | \$ 19,200 | \$ 2,522 | \$ 2,414 | \$ 5,141 | \$ 4,179 | \$ 38,810 |
| Receivables (net of allowance of uncollectibles) | | | | | | | | | | | |
| Accounts | - | - | - | - | 457 | - | - | - | - | - | 457 |
| Taxes | - | - | - | - | - | 255 | - | - | - | - | 255 |
| Due from other governments | 662 | - | - | - | 2,506 | - | 918 | 1,447 | - | - | 5,533 |
| Due from other funds | - | 1,301 | - | 17 | 254 | 809 | 32 | 4 | 3 | 17 | 2,437 |
| Total assets | \$ 3,215 | \$ 3,252 | \$ 183 | \$ 679 | \$ 3,222 | \$ 20,264 | \$ 3,472 | \$ 3,865 | \$ 5,144 | \$ 4,196 | \$ 47,492 |
| LIABILITIES | | | | | | | | | | | |
| Accounts payables and accrued liabilities | \$ 13 | \$ 459 | \$ - | \$ 53 | \$ 605 | \$ 209 | \$ 324 | \$ 241 | \$ - | \$ 25 | \$ 1,929 |
| Notes payable | - | 179 | - | - | - | - | - | - | - | - | 179 |
| Due to other funds | - | - | - | 5 | 2,305 | 11,391 | 573 | 1,462 | - | 2,079 | 17,815 |
| Due to other governments | - | - | - | 31 | 298 | 121 | - | - | - | - | 450 |
| Due to component unit | - | - | - | - | 3 | - | - | - | - | - | 3 |
| Total liabilities | 13 | 638 | - | 89 | 3,211 | 11,721 | 897 | 1,703 | - | 2,104 | 20,376 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | | |
| Unavailable revenue | - | - | - | 63 | - | - | - | - | - | - | 63 |
| Total deferred inflows of resources | - | - | - | 63 | - | - | - | - | - | - | 63 |
| Total liabilities and deferred inflows of resources | \$ 13 | \$ 638 | \$ - | \$ 152 | \$ 3,211 | \$ 11,721 | \$ 897 | \$ 1,703 | \$ - | \$ 2,104 | \$ 20,439 |
| Fund balances: | | | | | | | | | | | |
| Restricted | - | - | - | - | - | - | 2,575 | 2,162 | - | - | 4,737 |
| Committed | 3,202 | 2,614 | 183 | - | - | - | - | - | 5,144 | - | 11,143 |
| Assigned | - | - | - | 527 | 11 | 8,543 | - | - | - | 2,092 | 11,173 |
| Total fund balances | 3,202 | 2,614 | 183 | 527 | 11 | 8,543 | 2,575 | 2,162 | 5,144 | 2,092 | 27,053 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,215 | \$ 3,252 | \$ 183 | \$ 679 | \$ 3,222 | \$ 20,264 | \$ 3,472 | \$ 3,865 | \$ 5,144 | \$ 4,196 | \$ 47,492 |

**THE CITY OF ROCHESTER, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)**

| | Capital Projects | | | Animal Control | Library | Local Works | Special Revenue | | Cemetery Perpetual Care | Other | Total Nonmajor Governmental Funds |
|--|---------------------|----------------------|--------|----------------|----------|-------------|------------------|----------------|-------------------------|----------|-----------------------------------|
| | Economic Assistance | Cultural/ Recreation | Sewers | | | | Federal Projects | State Projects | | | |
| REVENUES | | | | | | | | | | | |
| Real property tax | \$ - | \$ - | \$ - | \$ 1,309 | \$ 5,288 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 6,597 |
| Departmental | - | - | - | 312 | 2,729 | 18,275 | - | - | - | - | 21,316 |
| Use of money and property | - | - | - | 1 | - | 22 | - | 3 | - | - | 26 |
| Federal Aid | - | 4 | - | - | 203 | - | 2,303 | 1,157 | - | - | 3,667 |
| State aid | 115 | 15 | - | - | 805 | 57 | 119 | 1,396 | - | - | 2,507 |
| Local sources and other | - | - | 28 | 44 | 6,827 | - | 804 | 3 | 99 | 1,541 | 9,346 |
| Total revenues | 115 | 19 | 28 | 1,666 | 15,852 | 18,354 | 3,226 | 2,559 | 99 | 1,541 | 43,459 |
| EXPENDITURES | | | | | | | | | | | |
| Current: | | | | | | | | | | | |
| Neighborhood business development | - | - | - | - | - | - | 1,149 | 297 | - | - | 1,446 |
| Environmental services | - | - | - | - | - | 9,426 | - | 54 | - | - | 9,480 |
| Library | - | - | - | - | 10,708 | - | - | - | - | - | 10,708 |
| Police | - | - | - | 1,185 | - | - | - | 543 | - | - | 1,728 |
| Fire | - | - | - | - | - | - | - | 3,841 | - | - | 3,841 |
| Recreation and youth services | - | - | - | - | - | - | 1,507 | 610 | - | 114 | 2,231 |
| Transportation | - | - | - | - | - | - | - | - | - | 114 | 114 |
| General Government | - | - | - | 410 | 3,779 | 3,275 | - | - | - | 76 | 7,540 |
| Capital outlay | - | - | - | - | - | - | - | - | - | - | - |
| Recreation and youth services | - | 920 | - | - | - | - | - | - | - | - | 920 |
| Library | - | 1,067 | - | - | - | - | - | - | - | - | 1,067 |
| Neighborhood business development | 219 | - | - | - | - | - | - | - | - | - | 219 |
| Debt service: | - | - | - | - | - | - | - | - | - | - | - |
| Principal | - | - | - | - | 375 | - | - | - | - | - | 375 |
| Interest | - | - | - | - | 79 | - | - | - | - | - | 79 |
| Total expenditures | 219 | 1,987 | - | 1,595 | 14,941 | 12,701 | 2,656 | 5,345 | - | 304 | 39,748 |
| Excess (deficiency) of revenues over expenditures | (104) | (1,968) | 28 | 71 | 911 | 5,653 | 570 | (2,786) | 99 | 1,237 | 3,711 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | |
| Proceeds of general obligation debt | 2,100 | 3,775 | 110 | - | - | - | - | - | - | - | 5,985 |
| Transfers in | 160 | 1,029 | 115 | - | - | - | - | - | - | - | 1,304 |
| Transfers out | (73) | (4) | (351) | - | (749) | (3,957) | (314) | (2,543) | - | (1,146) | (9,137) |
| Total other financing sources (uses) | 2,187 | 4,800 | (126) | - | (749) | (3,957) | (314) | (2,543) | - | (1,146) | (1,848) |
| Net Change in fund balances | 2,083 | 2,832 | (98) | 71 | 162 | 1,696 | 256 | (5,329) | 99 | 91 | 1,863 |
| Fund balances (deficit) - beginning of year | 1,119 | (218) | 281 | 456 | (151) | 6,847 | 2,319 | 7,491 | 5,045 | 2,001 | 25,190 |
| Fund balances - end of year | \$ 3,202 | \$ 2,614 | \$ 183 | \$ 527 | \$ 11 | \$ 8,543 | \$ 2,575 | \$ 2,162 | \$ 5,144 | \$ 2,092 | \$ 27,053 |

THE CITY OF ROCHESTER, NEW YORK
SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)

| | <u>Balance</u> | | | <u>Balance</u> |
|---|----------------------|------------------|-------------------|----------------------|
| | <u>June 30, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2013</u> |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 15,498 | \$ 26,075 | \$ 17,986 | \$ 23,587 |
| Receivables (net of allowance for uncollectibles) | 197 | 533 | 511 | 219 |
| Total assets | <u>15,695</u> | <u>26,608</u> | <u>18,497</u> | <u>23,806</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 15,695 | 18,524 | 10,413 | 23,806 |
| Total liabilities | <u>\$ 15,695</u> | <u>\$ 18,524</u> | <u>\$ 10,413</u> | <u>\$ 23,806</u> |

STATISTICAL SECTION

This part of the City of Rochester'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.

| Contents | Page |
|--|-------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | 76 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i> | 83 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i> | 87 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | 92 |
| Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | 94 |

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

THE CITY OF ROCHESTER, NEW YORK
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 391,222 | \$ 421,921 | \$ 449,840 | \$ 462,204 | \$ 441,242 | \$ 488,181 | \$ 530,636 | \$ 591,596 | \$ 552,846 | \$ 547,613 |
| Restricted | 124,241 | 136,012 | 129,193 | 95,283 | 127,030 | 121,987 | 122,365 | 95,632 | 83,543 | 168,975 |
| Unrestricted | 43,179 | 41,326 | 18,451 | 5,534 | (9,910) | (44,890) | (72,804) | (108,146) | (102,121) | (157,296) |
| Total governmental activities net position | <u>\$ 558,642</u> | <u>\$ 599,259</u> | <u>\$ 597,484</u> | <u>\$ 563,021</u> | <u>\$ 558,362</u> | <u>\$ 565,278</u> | <u>\$ 580,197</u> | <u>\$ 579,082</u> | <u>\$ 534,268</u> | <u>\$ 559,292</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 157,049 | \$ 155,974 | \$ 144,262 | \$ 153,257 | \$ 158,705 | \$ 170,659 | \$ 172,913 | \$ 191,986 | \$ 183,329 | \$ 187,190 |
| Restricted | 15,871 | 17,959 | 31,161 | 27,778 | 33,854 | 27,430 | 43,136 | 32,536 | 21,454 | 18,456 |
| Unrestricted | 3,105 | 5,649 | 4,250 | 2,379 | 2,105 | 5,895 | (1,803) | (6,556) | 10,365 | 11,781 |
| Total business-type activities net position | <u>\$ 176,025</u> | <u>\$ 179,582</u> | <u>\$ 179,673</u> | <u>\$ 183,414</u> | <u>\$ 194,664</u> | <u>\$ 203,984</u> | <u>\$ 214,246</u> | <u>\$ 217,966</u> | <u>\$ 215,148</u> | <u>\$ 217,427</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 548,271 | \$ 577,895 | \$ 594,102 | \$ 615,461 | \$ 599,947 | \$ 658,840 | \$ 703,549 | \$ 783,582 | \$ 736,175 | \$ 734,803 |
| Restricted | 140,112 | 153,971 | 160,354 | 123,061 | 160,884 | 149,417 | 165,501 | 128,168 | 104,997 | 187,431 |
| Unrestricted | 46,284 | 46,975 | 22,701 | 7,913 | (7,805) | (38,995) | (74,607) | (114,702) | (91,756) | (145,515) |
| Total primary government net position | <u>\$ 734,667</u> | <u>\$ 778,841</u> | <u>\$ 777,157</u> | <u>\$ 746,435</u> | <u>\$ 753,026</u> | <u>\$ 769,262</u> | <u>\$ 794,443</u> | <u>\$ 797,048</u> | <u>\$ 749,416</u> | <u>\$ 776,719</u> |

Note: Prior years' information not available on accrual basis

THE CITY OF ROCHESTER, NEW YORK
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 60,241 | \$ 46,516 | \$ 54,702 | \$ 61,690 | \$ 75,552 | \$ 67,301 | \$ 82,702 | \$ 95,832 | \$ 102,200 | \$ 119,387 |
| Police | 84,091 | 90,509 | 111,195 | 113,896 | 124,310 | 123,793 | 126,085 | 133,107 | 128,413 | 143,722 |
| Fire | 51,688 | 57,330 | 68,391 | 69,551 | 68,041 | 69,232 | 69,949 | 71,028 | 69,022 | 82,560 |
| Emergency communications | 10,523 | 11,988 | 14,437 | 14,798 | 15,222 | 16,416 | 16,966 | 17,765 | 19,281 | 23,218 |
| Transportation | 24,937 | 27,618 | 31,630 | 31,244 | 25,468 | 23,380 | 21,312 | 14,946 | 8,098 | 4,094 |
| Environmental services | 20,376 | 21,204 | 21,768 | 26,268 | 31,904 | 33,166 | 34,574 | 43,954 | 36,819 | 43,419 |
| Recreation & youth services | 18,516 | 20,815 | 21,754 | 24,886 | 15,406 | 20,311 | 10,355 | 17,743 | 18,225 | 18,818 |
| Library | 11,148 | 10,795 | 12,121 | 12,419 | 12,324 | 12,387 | 12,723 | 12,161 | 13,143 | 13,958 |
| Neighborhood business development | 30,039 | 29,907 | 35,265 | 34,423 | 33,595 | 34,379 | 38,726 | 41,930 | 34,908 | 41,888 |
| Interest on long-term debt | 3,921 | 4,041 | 4,500 | 8,060 | 6,049 | 3,872 | 3,644 | 3,445 | 3,071 | 3,664 |
| Education | 126,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 |
| Ferry | - | - | - | 21,259 | - | - | - | - | - | - |
| Total governmental activities expenses | 441,580 | 439,823 | 494,863 | 537,594 | 526,971 | 523,337 | 536,136 | 571,011 | 552,280 | 613,828 |
| Business-type activities: | | | | | | | | | | |
| Water | 24,950 | 25,654 | 28,797 | 28,571 | 28,505 | 27,632 | 28,499 | 31,089 | 31,960 | 33,206 |
| War memorial | 3,455 | 3,209 | 3,337 | 3,219 | 3,005 | 2,992 | 2,821 | 2,757 | 2,590 | 2,696 |
| Parking | 6,450 | 5,611 | 6,155 | 5,443 | 6,343 | 5,163 | 7,634 | 7,195 | 11,463 | 7,580 |
| Cemetery | 2,285 | 2,252 | 2,516 | 2,075 | 1,953 | 1,789 | 2,398 | 1,770 | 2,118 | 3,016 |
| Public market | 618 | 765 | 754 | 825 | 922 | 1,276 | 555 | 1,054 | 1,557 | 789 |
| Refuse | 23,424 | 22,252 | 23,685 | 22,682 | 22,496 | 24,602 | 24,800 | 26,603 | 26,637 | 27,383 |
| Port of Rochester | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities expenses | 61,182 | 59,743 | 65,244 | 62,815 | 63,224 | 63,454 | 66,707 | 70,468 | 76,325 | 74,670 |
| Total primary government expenses | \$ 502,762 | \$ 499,566 | \$ 560,107 | \$ 600,409 | \$ 590,195 | \$ 586,791 | \$ 602,843 | \$ 641,479 | \$ 628,605 | \$ 688,498 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 7,248 | \$ 7,992 | \$ 8,372 | \$ 8,968 | \$ 10,222 | \$ 10,987 | \$ 13,121 | \$ 15,681 | \$ 10,500 | \$ 40,648 |
| Police | 6,829 | 6,473 | 7,102 | 6,677 | 7,560 | 8,062 | 8,234 | 6,989 | 9,084 | 10,961 |
| Fire | 888 | 1,100 | 1,006 | 764 | 1,195 | 887 | 809 | 843 | 1,268 | 1,860 |
| Emergency communications | 9,902 | 11,074 | 10,789 | 11,011 | 12,353 | 13,113 | 13,345 | 15,896 | 14,473 | 17,220 |
| Transportation | 844 | 818 | 828 | 915 | 820 | 386 | 942 | 975 | 970 | 940 |
| Environmental services | 16,989 | 18,640 | 17,294 | 19,719 | 20,969 | 21,713 | 20,663 | 22,959 | 18,511 | 19,058 |
| Recreation & youth services | 2,117 | 2,067 | 2,005 | 2,201 | 2,228 | 3,322 | 2,280 | 1,864 | 1,589 | 1,243 |
| Library | 2,207 | 2,365 | 2,579 | 2,778 | 2,456 | 2,933 | 3,112 | 3,202 | 2,603 | 2,729 |
| Neighborhood business development | 3,623 | 3,624 | 4,294 | 4,013 | 5,637 | 3,491 | 4,720 | 4,090 | 4,529 | 3,740 |
| Operating grants and contributions | 35,116 | 34,382 | 41,140 | 40,208 | 37,290 | 33,162 | 37,669 | 37,318 | 31,754 | 70,831 |
| Capital grants and contributions | 24,035 | 15,992 | 19,452 | 11,452 | 11,366 | 15,984 | 20,851 | 45,201 | 23,008 | 30,137 |
| Total governmental activities program revenues | 109,798 | 104,527 | 114,861 | 108,706 | 112,096 | 114,040 | 125,746 | 155,018 | 118,289 | 199,367 |

Continued

THE CITY OF ROCHESTER, NEW YORK
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(000's Omitted)

Continued

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | \$ 31,603 | \$ 32,513 | \$ 33,641 | \$ 33,531 | \$ 34,241 | \$ 33,018 | \$ 32,995 | \$ 34,538 | \$ 35,988 | \$ 37,705 |
| War memorial | 1,595 | 1,515 | 1,541 | 1,442 | 1,460 | 1,781 | 1,452 | 1,406 | 1,571 | 1,586 |
| Parking | 4,156 | 4,108 | 3,835 | 3,892 | 2,879 | 3,139 | 4,437 | 9,040 | 9,805 | 10,899 |
| Cemetery | 1,573 | 1,665 | 1,399 | 1,195 | 1,147 | 1,117 | 1,062 | 1,232 | 1,370 | 1,767 |
| Public market | 533 | 543 | 575 | 608 | 642 | 675 | 749 | 716 | 730 | 774 |
| Refuse | 20,589 | 22,506 | 23,436 | 24,804 | 25,110 | 24,817 | 24,452 | 26,001 | 25,724 | 25,534 |
| Port of Rochester | 2 | - | - | - | - | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | 511 | 4,994 | 905 | 1,754 | - | - |
| Total business-type activities program revenues | 60,051 | 62,850 | 64,427 | 65,472 | 65,990 | 69,541 | 66,052 | 74,687 | 75,188 | 78,265 |
| Total primary government program revenues | \$ 169,849 | \$ 167,377 | \$ 179,288 | \$ 174,178 | \$ 178,086 | \$ 183,581 | \$ 191,798 | \$ 229,705 | \$ 193,477 | \$ 277,632 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (331,782) | \$ (335,296) | \$ (380,002) | \$ (428,888) | \$ (414,875) | \$ (409,297) | \$ (410,390) | \$ (415,993) | \$ (433,991) | \$ (414,461) |
| Business-type activities | (1,131) | 3,107 | (817) | 2,657 | 2,766 | 6,087 | (655) | 4,219 | (1,137) | 3,595 |
| Total primary government net expense | \$ (332,913) | \$ (332,189) | \$ (380,819) | \$ (426,231) | \$ (412,109) | \$ (403,210) | \$ (411,045) | \$ (411,774) | \$ (435,128) | \$ (410,866) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 130,602 | \$ 131,917 | \$ 137,278 | \$ 139,276 | \$ 136,921 | \$ 141,531 | \$ 141,319 | \$ 146,544 | \$ 146,698 | \$ 147,218 |
| Sales taxes | 115,501 | 118,000 | 122,240 | 120,518 | 130,865 | 122,077 | 123,392 | 129,467 | 135,941 | 136,409 |
| Payment in-lieu of tax | - | - | - | - | - | - | 10,903 | 11,068 | 10,755 | 4,672 |
| Other taxes | 30,874 | 28,007 | 26,893 | 28,860 | 28,725 | 25,711 | 13,251 | 13,897 | 12,654 | 12,691 |
| Governmental aid - (unrestricted) | 62,097 | 77,604 | 79,149 | 91,402 | 105,188 | 131,431 | 108,437 | 106,069 | 104,323 | 120,271 |
| Investment earnings | 2,087 | 3,126 | 5,971 | 8,124 | 7,143 | 3,228 | 2,938 | 781 | 1,499 | 4 |
| Miscellaneous | 1,599 | 4,272 | 2,019 | 1,566 | 2,290 | 2,330 | 1,492 | 1,519 | 2,062 | 12,846 |
| Transfers | 5,284 | 4,427 | 4,677 | 4,679 | (916) | 4,593 | 11,441 | 5,533 | 3,697 | 5,374 |
| Total governmental activities | 348,044 | 367,353 | 378,227 | 394,425 | 410,216 | 430,901 | 413,173 | 414,878 | 417,629 | 439,485 |
| Business-type activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | 1,895 | 2,024 | 2,024 | 2,658 | 3,876 | 3,379 | 5,557 | 2,142 | 2,330 | 1,998 |
| Other taxes | 933 | 985 | 905 | 905 | 905 | 1,131 | 905 | 1,131 | 679 | 905 |
| Governmental aid | 31 | 34 | - | 18 | 125 | 1,133 | 157 | 11 | 160 | 7 |
| Investment earnings | 242 | 426 | 1,257 | 737 | 1,180 | 711 | 793 | 308 | 401 | 57 |
| Miscellaneous | 1,323 | 1,408 | 1,399 | 1,445 | 1,482 | 1,472 | 1,480 | 1,442 | 1,616 | 1,091 |
| Gain on Sale of land | - | - | - | - | - | - | 13,466 | - | - | - |
| Transfers | (5,284) | (4,427) | (4,677) | (4,679) | 916 | (4,593) | (11,441) | (5,533) | (3,574) | (5,374) |
| Total business-type activities | (860) | 450 | 908 | 1,084 | 8,484 | 3,233 | 10,917 | (499) | 1,612 | (1,316) |
| Total primary government | \$ 347,184 | \$ 367,803 | \$ 379,135 | \$ 395,509 | \$ 418,700 | \$ 434,134 | \$ 424,090 | \$ 414,379 | \$ 419,241 | \$ 438,169 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 16,262 | \$ 32,057 | \$ (1,775) | \$ (34,463) | \$ (4,659) | \$ 21,604 | \$ 2,783 | \$ (1,115) | \$ (16,362) | \$ 25,024 |
| Business-type activities | (1,991) | 3,557 | 91 | 3,741 | 11,250 | 9,320 | 10,262 | 3,720 | 475 | 2,279 |
| Total primary government | \$ 14,271 | \$ 35,614 | \$ (1,684) | \$ (30,722) | \$ 6,591 | \$ 30,924 | \$ 13,045 | \$ 2,605 | \$ (15,887) | \$ 27,303 |

Note: Prior years' information not available on accrual basis

THE CITY OF ROCHESTER, NEW YORK
GOVERNMENTAL ACTIVITIES
TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property tax | \$ 132,497 | \$ 133,941 | \$ 139,302 | \$ 141,934 | \$ 140,797 | \$ 144,910 | \$ 146,876 | \$ 148,686 | \$ 149,028 | \$ 149,216 |
| Sales tax | 115,501 | 118,000 | 122,240 | 120,518 | 130,865 | 122,077 | 123,392 | 129,467 | 135,941 | 136,409 |
| Payment in-lieu of tax | - | - | - | - | - | - | 10,903 | 11,068 | 10,755 | 4,672 |
| Other taxes | <u>31,807</u> | <u>28,992</u> | <u>27,798</u> | <u>29,765</u> | <u>29,630</u> | <u>26,842</u> | <u>14,156</u> | <u>15,028</u> | <u>13,333</u> | <u>13,596</u> |
| Total taxes | <u>\$ 279,805</u> | <u>\$ 280,933</u> | <u>\$ 289,340</u> | <u>\$ 292,217</u> | <u>\$ 301,292</u> | <u>\$ 293,829</u> | <u>\$ 295,327</u> | <u>\$ 304,249</u> | <u>\$ 309,057</u> | <u>\$ 303,893</u> |

Note: Prior years' information not available on accrual basis

THE CITY OF ROCHESTER, NEW YORK
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General fund | | | | | | | | | | |
| Reserved | \$ 10,412 | \$ 10,938 | \$ 11,726 | \$ 13,435 | \$ 20,283 | \$ 21,033 | \$ 20,679 | \$ - | \$ - | \$ - |
| Unreserved | 7,605 | 7,819 | 8,002 | 8,244 | 8,376 | 8,526 | 13,291 | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | 6,248 | 6,641 | - |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Committed | - | - | - | - | - | - | - | 40,457 | 38,623 | 35,223 |
| Assigned | - | - | - | - | - | - | - | 15,998 | 15,686 | 28,540 |
| Unassigned | - | - | - | - | - | - | - | 4,920 | 4,860 | 4,870 |
| Unallocated | - | - | - | - | - | - | - | - | - | - |
| Total general fund | <u>18,017</u> | <u>18,757</u> | <u>19,728</u> | <u>21,679</u> | <u>28,659</u> | <u>29,559</u> | <u>33,970</u> | <u>67,623</u> | <u>65,810</u> | <u>68,633</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | 92,542 | 117,199 | 88,082 | 119,321 | 122,450 | 133,568 | 137,407 | - | - | - |
| Unreserved, designated for subsequent yr's expenditures | - | - | - | 577 | 661 | 2,028 | 462 | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 6,647 | 1,908 | 10,209 | 5,124 | 3,070 | 3,987 | 7,119 | - | - | - |
| Capital projects funds | (3,519) | (28,106) | 24,746 | 20,226 | 14,641 | (1,260) | 15,631 | - | - | - |
| Permanent funds | 5,684 | 5,860 | 6,050 | 6,360 | 6,484 | 6,621 | 6,744 | - | - | - |
| Nonspendable, reported in: | | | | | | | | | | |
| Other governmental funds | - | - | - | - | - | - | - | 6,845 | - | - |
| Restricted, reported in: | | | | | | | | | | |
| Debt service funds | - | - | - | - | - | - | - | 6,216 | 4,037 | 11,653 |
| Capital projects funds | - | - | - | - | - | - | - | 453 | - | 1,066 |
| Special revenue funds | - | - | - | - | - | - | - | 4,870 | 3,655 | 9,051 |
| Other governmental funds | - | - | - | - | - | - | - | 9,589 | 9,810 | 4,737 |
| Committed, reported in: | | | | | | | | | | |
| Capital projects funds | - | - | - | - | - | - | - | 60,095 | 63,185 | 119,042 |
| Special revenue funds | - | - | - | - | - | - | - | 5 | 1,057 | 5,372 |
| Other governmental funds | - | - | - | - | - | - | - | 1,942 | 6,445 | 11,143 |
| Assigned, reported in: | | | | | | | | | | |
| Debt service funds | - | - | - | - | - | - | - | 13,484 | 13,716 | 15,281 |
| Capital projects funds | - | - | - | - | - | - | - | 1,877 | 581 | 859 |
| Other governmental funds | - | - | - | - | - | - | - | 8,473 | 9,304 | 11,173 |
| Unassigned, reported in: | | | | | | | | | | |
| Capital projects funds | - | - | - | - | - | - | - | - | (8,959) | - |
| Other governmental funds | - | - | - | - | - | - | - | - | (369) | - |
| Total all other governmental funds | <u>101,354</u> | <u>96,861</u> | <u>129,087</u> | <u>151,608</u> | <u>147,306</u> | <u>144,944</u> | <u>167,363</u> | <u>113,849</u> | <u>102,462</u> | <u>189,377</u> |
| Total all governmental funds | <u>\$ 119,371</u> | <u>\$ 115,618</u> | <u>\$ 148,815</u> | <u>\$ 173,287</u> | <u>\$ 175,965</u> | <u>\$ 174,503</u> | <u>\$ 201,333</u> | <u>\$ 181,472</u> | <u>\$ 168,272</u> | <u>\$ 258,010</u> |

Note: Comparative prior years' information not available for all non-general funds prior to implementation of GASB 34 in 2001.

THE CITY OF ROCHESTER, NEW YORK
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|------------|
| Revenues | | | | | | | | | | |
| Real property tax | \$ 129,517 | \$ 131,724 | \$ 135,751 | \$ 138,081 | \$ 135,851 | \$ 144,594 | \$ 141,446 | \$ 144,393 | \$ 148,055 | \$ 149,507 |
| Sales tax | 147,213 | 147,468 | 149,934 | 150,620 | 159,940 | 149,616 | 123,338 | 128,995 | 135,407 | 136,332 |
| Other taxes | - | - | - | - | - | - | 24,983 | 24,965 | 23,409 | 17,363 |
| Departmental | 34,788 | 36,478 | 36,408 | 39,498 | 43,404 | 43,530 | 46,105 | 47,937 | 39,967 | 44,367 |
| Interest on investments | - | - | - | - | - | - | - | - | - | 3 |
| Use of money and property | 2,536 | 3,633 | 6,840 | 9,139 | 7,896 | 4,254 | 3,316 | 872 | 1,264 | 9,121 |
| Licenses and permits | 2,069 | 2,269 | 2,636 | 2,289 | 2,676 | 2,384 | 2,693 | 2,785 | 3,157 | 3,141 |
| Federal aid | 40,512 | 32,379 | 39,925 | 33,671 | 27,514 | 26,132 | 33,934 | 47,968 | 33,442 | 49,122 |
| State aid | 69,512 | 85,001 | 86,796 | 97,714 | 111,542 | 143,471 | 123,231 | 133,325 | 117,404 | 133,952 |
| Local sources and other | 25,310 | 28,868 | 28,103 | 26,388 | 32,677 | 29,587 | 28,597 | 30,220 | 31,127 | 37,444 |
| Ferry | - | - | - | 19,287 | - | - | - | - | - | - |
| Total revenues | 451,457 | 467,820 | 486,393 | 516,687 | 521,500 | 543,568 | 527,643 | 561,460 | 533,232 | 580,352 |
| Expenditures | | | | | | | | | | |
| Council and clerk | 1,431 | 1,478 | 1,462 | 1,634 | 1,698 | 1,674 | 1,726 | - | - | - |
| Administration | 9,349 | 9,043 | 9,492 | 10,062 | 11,201 | 11,047 | 8,660 | - | - | - |
| Law | 1,763 | 1,816 | 1,752 | 1,743 | 1,865 | 1,898 | 1,757 | - | - | - |
| Information technology | - | - | - | - | 4,021 | 3,579 | 3,786 | - | - | - |
| Finance | 7,228 | 7,198 | 7,449 | 7,607 | 5,131 | 5,180 | 4,066 | - | - | - |
| Neighborhood business development | 25,539 | 21,911 | 28,195 | 27,015 | 26,527 | 21,600 | 33,971 | 33,678 | 29,833 | 33,489 |
| Economic development | 1,655 | 1,482 | 1,530 | 1,560 | 1,226 | 1,545 | - | - | - | - |
| Environmental services | 29,373 | 29,670 | 28,987 | 32,306 | 34,191 | 36,082 | 35,844 | 30,272 | 23,213 | 25,262 |
| Library | 10,267 | 9,894 | 10,099 | 10,316 | 10,361 | 10,687 | 11,029 | 11,220 | 10,602 | 10,708 |
| Police | 62,983 | 63,202 | 67,272 | 69,471 | 78,057 | 77,775 | 78,253 | 84,121 | 83,279 | 85,061 |
| Fire | 37,734 | 39,316 | 40,300 | 40,909 | 41,231 | 42,412 | 42,297 | 42,594 | 42,655 | 48,212 |
| Emergency communications | 7,881 | 8,360 | 8,682 | 8,943 | 9,419 | 10,189 | 10,493 | 11,194 | 12,164 | 14,853 |
| Recreation & youth services | 16,375 | 16,031 | 16,690 | 15,961 | 13,971 | 12,967 | 9,264 | 11,833 | 11,581 | 9,489 |
| Undistributed | 60,193 | 77,583 | 83,520 | 82,340 | 83,619 | 89,894 | 89,924 | - | - | - |
| Education (Allocation to school district) | 126,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 | 119,100 |
| Capital projects | 52,344 | 47,769 | 54,165 | 43,907 | 57,219 | 58,057 | 72,363 | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal retirement | 12,849 | 14,819 | 12,512 | 15,877 | 34,069 | 37,620 | 15,125 | 16,149 | 14,269 | 12,450 |
| Interest | 3,733 | 4,082 | 3,919 | 7,822 | 6,629 | 4,476 | 3,184 | 3,850 | 3,138 | 3,247 |
| Administrative charges | - | - | - | - | - | - | - | 204 | 27 | 124 |
| General government | - | - | - | - | - | - | - | 118,204 | 124,998 | 135,018 |
| Transportation | - | - | - | - | - | - | - | 5,814 | 5,438 | 5,311 |
| Capital outlay: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 71,601 | 44,599 | 42,618 |
| Police | - | - | - | - | - | - | - | - | - | 133 |
| Fire | - | - | - | - | - | - | - | - | - | 9 |
| Transportation | - | - | - | - | - | - | - | 14,193 | 19,474 | 19,215 |
| Recreation & youth services | - | - | - | - | - | - | - | 3,530 | 753 | 920 |
| Environmental services | - | - | - | - | - | - | - | - | 1,471 | 5,878 |
| Library | - | - | - | - | - | - | - | 1,717 | 755 | 1,067 |
| Neighborhood business development | - | - | - | - | - | - | - | 659 | 352 | 221 |
| Total expenditures | 466,797 | 472,754 | 495,126 | 496,573 | 539,535 | 545,782 | 540,842 | 579,933 | 547,701 | 572,385 |
| Excess of revenues over (under) expenditures | (15,340) | (4,934) | (8,733) | 20,114 | (18,035) | (2,214) | (13,199) | (18,473) | (14,469) | 7,967 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 59,029 | 63,068 | 65,932 | 61,804 | 80,600 | 88,831 | 81,231 | 84,914 | 58,941 | - |
| Transfers out | (57,802) | (61,887) | (66,538) | (57,446) | (84,400) | (88,079) | (71,164) | (88,118) | (57,623) | (54,497) |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | - | - | - | (11,055) |
| Premium on refunding bond issued | - | - | - | - | - | - | - | - | - | 708 |
| Refunding bonds issued | - | - | - | - | - | - | - | - | - | 10,450 |
| Transfers from other funds | - | - | - | - | - | - | - | - | - | 55,011 |
| Proceeds of general obligation debt (capital projects) | 34,964 | - | 42,536 | - | 24,513 | - | 29,962 | 1,767 | - | 81,154 |
| Total other financing sources (uses) | 36,191 | 1,181 | 41,930 | 4,358 | 20,713 | 752 | 40,029 | (1,437) | 1,318 | 81,771 |
| Net change in fund balances | \$ 20,851 | \$ (3,753) | \$ 33,197 | \$ 24,472 | \$ 2,678 | \$ (1,462) | \$ 26,830 | \$ (19,910) | \$ (13,151) | \$ 89,738 |
| Debt service as a percentage of noncapital expenditures | 4.00% | 4.45% | 3.73% | 5.24% | 8.44% | 8.63% | 3.72% | 3.79% | 3.48% | 2.98% |

Note: Prior years' information not available on accrual basis

THE CITY OF ROCHESTER, NEW YORK
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(000's Omitted)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property tax | \$ 129,517 | \$ 131,724 | \$ 135,751 | \$ 138,081 | \$ 135,851 | \$ 144,594 | \$ 141,446 | \$ 144,393 | \$ 148,055 | \$ 149,507 |
| Sales tax | 147,213 | 147,468 | 149,934 | 150,620 | 159,940 | 149,616 | 123,338 | 128,995 | 135,407 | 136,332 |
| Other taxes | - | - | - | - | - | - | 24,983 | 24,965 | 23,409 | 17,363 |
| Total taxes | <u>\$ 276,730</u> | <u>\$ 279,192</u> | <u>\$ 285,685</u> | <u>\$ 288,701</u> | <u>\$ 295,791</u> | <u>\$ 294,210</u> | <u>\$ 289,767</u> | <u>\$ 298,353</u> | <u>\$ 306,871</u> | <u>\$ 303,202</u> |

Sales tax included other taxes up through 2009

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY
LAST TEN FISCAL YEARS
(000's Omitted)**

| Fiscal Year | Assessed Value Municipal Purposes | Veterans Exemption (1) | Assessed Value School Purposes | Estimated Actual Value Municipal Purposes | Estimated Actual Value School Purposes | Assessed Value as a Percentage of Actual Value (2) | Total Direct Rate Applied to Base | Total Direct Homestead Rate Per Thousand | Total Direct Nonhomestead Rate Per Thousand |
|--------------------|--|-------------------------------|---|--|---|---|--|---|--|
| 2004 | 4,674,521 | 60,813 | 4,735,334 | 5,003,769 | 5,068,865 | 93.42% | 3.17% | 21.16 | 46.94 |
| 2005 | 5,042,828 | 62,979 | 5,105,807 | 5,140,497 | 5,204,696 | 98.10% | 2.97% | 20.12 | 44.32 |
| 2006 | 5,057,648 | 60,016 | 5,117,664 | 5,127,900 | 5,188,750 | 98.63% | 3.04% | 20.99 | 44.79 |
| 2007 | 5,094,593 | 56,887 | 5,151,480 | 5,586,177 | 5,648,553 | 91.20% | 3.08% | 21.18 | 45.18 |
| 2008 | 5,135,078 | 54,377 | 5,189,455 | 5,738,800 | 5,787,282 | 89.67% | 3.05% | 21.72 | 43.54 |
| 2009 | 5,690,818 | 56,782 | 5,747,600 | 5,750,624 | 5,774,161 | 99.54% | 2.86% | 20.57 | 40.67 |
| 2010 | 5,723,157 | 54,217 | 5,777,374 | 5,951,702 | 5,815,723 | 99.34% | 2.85% | 19.61 | 41.69 |
| 2011 | 5,729,225 | 50,683 | 5,779,908 | 6,115,740 | 5,802,907 | 99.60% | 2.86% | 19.50 | 42.23 |
| 2012 | 5,734,433 | 50,907 | 5,785,340 | 6,055,367 | 5,906,907 | 97.94% | 2.91% | 20.04 | 42.79 |
| 2013 | 5,860,653 | 50,339 | 5,910,992 | 6,076,364 | 6,128,302 | 96.45% | 2.85% | 19.32 | 42.98 |

Notes:

(1) Subject to School Purposes but not General Municipal Purposes.

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

**THE CITY OF ROCHESTER, NEW YORK
PROPERTY TAX RATES PER THOUSAND
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

| Fiscal Year | City of Rochester | | | Overlapping Rate | Total Direct & Overlapping Rate |
|-------------------|----------------------------|-----------------|-------------------|-------------------|---------------------------------|
| | General Municipal Purposes | School Purposes | Total Direct Rate | Monroe County (1) | |
| 2004 Homestead | 6.52 | 14.64 | 21.16 | 10.96 | 32.12 |
| 2004 Nonhomestead | 14.26 | 32.68 | 46.94 | 10.96 | 57.90 |
| 2005 Homestead | 6.34 | 13.78 | 20.12 | 11.01 | 31.13 |
| 2005 Nonhomestead | 13.77 | 30.55 | 44.32 | 11.01 | 55.33 |
| 2006 Homestead | 6.61 | 14.38 | 20.99 | 10.94 | 31.93 |
| 2006 Nonhomestead | 13.92 | 30.87 | 44.79 | 10.94 | 55.73 |
| 2007 Homestead | 6.66 | 14.52 | 21.18 | 9.62 | 30.80 |
| 2007 Nonhomestead | 14.04 | 31.14 | 45.18 | 9.62 | 54.80 |
| 2008 Homestead | 6.83 | 14.89 | 21.72 | 9.97 | 31.69 |
| 2008 Nonhomestead | 13.53 | 30.01 | 43.54 | 9.97 | 53.51 |
| 2009 Homestead | 5.59 | 14.98 | 20.57 | 9.20 | 29.77 |
| 2009 Nonhomestead | 10.93 | 29.74 | 40.67 | 9.20 | 49.87 |
| 2010 Homestead | 5.33 | 14.28 | 19.61 | 9.20 | 28.81 |
| 2010 Nonhomestead | 11.21 | 30.48 | 41.69 | 9.20 | 50.89 |
| 2011 Homestead | 5.39 | 14.11 | 19.50 | 9.16 | 28.66 |
| 2011 Nonhomestead | 11.54 | 30.69 | 42.23 | 9.16 | 51.39 |
| 2012 Homestead | 5.82 | 14.22 | 20.04 | 9.19 | 29.23 |
| 2012 Nonhomestead | 12.30 | 30.49 | 42.79 | 9.19 | 51.98 |
| 2013 Homestead | 5.61 | 13.71 | 19.32 | 9.20 | 28.52 |
| 2013 Nonhomestead | 12.36 | 30.62 | 42.98 | 9.20 | 52.18 |

(1) Source: Monroe County Treasury

Note: **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**.

THE CITY OF ROCHESTER, NEW YORK
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT FISCAL YEAR AND NINE YEARS PRIOR
 JUNE 30, 2013
 (000's Omitted)

| | 2013 | | | 2004 | | |
|-----------------------------------|-------------------|------|--------------------------------------|-------------------|------|--------------------------------------|
| | Taxable Assessed | Rank | Percentage of Total Taxable Assessed | Taxable Assessed | Rank | Percentage of Total Taxable Assessed |
| | Value | | Value | Value | | Value |
| Rochester Gas and Electric | \$ 613,723 | 1 | 10.47% | \$ 351,912 | 1 | 7.53% |
| Frontier Telephone Corp. | 75,600 | 2 | 1.29% | 60,879 | 3 | 1.30% |
| Eastman Kodak Co. | 70,868 | 3 | 1.21% | 124,591 | 2 | 2.67% |
| Buckingham Properties | 43,456 | 4 | 0.74% | - | - | - |
| CSX (Conrail) | 24,813 | 5 | 0.42% | 15,282 | 8 | 0.33% |
| Maguire Family Properties | 20,499 | 6 | 0.35% | 13,806 | 9 | 0.30% |
| JP Morgan/Chase (Chase Manhattan) | 18,621 | 7 | 0.32% | 21,665 | 6 | 0.46% |
| NK-TCC Property, LLC | 16,296 | 8 | 0.28% | - | - | - |
| AP/AIM Rochester Hotel, LLC | 14,800 | 9 | 0.25% | - | - | - |
| Xerox | 14,800 | 10 | 0.25% | 19,250 | 7 | 0.41% |
| Samloff/Glazer | - | - | - | 27,124 | 4 | 0.58% |
| Pioneer/City Center | - | - | - | 23,000 | 5 | 0.49% |
| Midtown Rochester LLC | - | - | - | 13,442 | 10 | 0.29% |
| Totals | <u>\$ 913,476</u> | | <u>15.59%</u> | <u>\$ 670,951</u> | | <u>14.35%</u> |

Note:

- 1) The total taxable assessed value of \$5,860,652,793 was used for fiscal year 2012-13 taxes.
- 2) The total taxable assessed value of \$4,674,520,611 was used for fiscal year 2003-04 taxes.

Source: Assessment Roll of the City of Rochester

**THE CITY OF ROCHESTER, NEW YORK
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(000's Omitted)**

| Fiscal Year Ended June 30 | Total Tax Levy for Fiscal Year (1) | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Cancellations and/or Adjustments to Tax Levy (3) | Outstanding Delinquent Taxes (Cumulative) | Percentage of Outstanding Delinquent Taxes to Total Tax |
|---------------------------------|---|---|-----------------------|---------------------------------------|---------------------------|-----------------------|---|--|--|
| | | Amount | Percentage of Levy | | Amount (2) | Percentage of Levy | | | |
| 2004 | 173,145 | 158,479 | 91.53% | 10,577 | 169,056 | 97.64% | 5,465 | 22,968 | 13.27% |
| 2005 | 178,380 | 163,293 | 91.54% | 9,531 | 172,824 | 96.89% | 4,742 | 23,004 | 12.90% |
| 2006 | 184,086 | 168,297 | 91.42% | 10,391 | 178,688 | 97.07% | 5,009 | 24,102 | 13.09% |
| 2007 | 189,822 | 174,245 | 91.79% | 10,214 | 184,459 | 97.17% | 3,469 | 25,882 | 13.63% |
| 2008 | 190,298 | 174,902 | 91.91% | 8,769 | 183,671 | 96.52% | 2,832 | 28,448 | 14.95% |
| 2009 | 196,088 | 181,218 | 92.42% | 7,892 | 189,110 | 96.44% | 4,220 | 20,890 | 10.65% |
| 2010 | 197,219 | 182,281 | 92.43% | 9,053 | 191,334 | 97.02% | 1,182 | 21,084 | 10.69% |
| 2011 | 201,211 | 185,325 | 92.10% | 9,307 | 194,632 | 96.73% | 5,833 | 17,189 | 8.54% |
| 2012 | 205,558 | 189,505 | 92.19% | 9,414 | 198,919 | 96.77% | 1,940 | 17,492 | 8.51% |
| 2013 | 206,013 | 190,291 | 92.37% | N/A | 190,291 | 92.37% | 1,347 | 17,596 | 8.54% |

Notes:

- (1) Tax exempt properties with an assessed value of \$477,357,450 made payments in lieu of taxes amounting to \$11,149,612 for the fiscal year ending June 30, 2013. If these properties had been fully taxable, total revenues would have increased by \$8,186,156. The properties, upon expiration of their agreements will become fully taxable.
- (2) The City begins foreclosure action on properties after taxes are past due for one year. The City provides tax installment agreements of up to five years to taxpayers demonstrating financial hardship if the property is in compliance with City codes.
- (3) Cancellations are chiefly the result of foreclosure by the City and adjustments made for erroneous assessments.

THE CITY OF ROCHESTER, NEW YORK
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(000's Omitted, except per capita amount)

| Fiscal Year | Governmental Activities General Obligation Bonds | Business-Type Activities General Obligation Bonds | Total Primary Government | Percentage of Personal Income | Per Capita |
|--------------------|---|--|---|--|-----------------------|
| 2004 | 66,260 | 70,104 | 136,364 | 1.87% | 644 |
| 2005 | 52,694 | 62,672 | 115,366 | 1.54% | 550 |
| 2006 | 84,025 | 66,223 | 150,248 | 1.92% | 722 |
| 2007 | 69,538 | 59,402 | 128,940 | 1.57% | 624 |
| 2008 | 80,992 | 76,805 | 157,797 | 1.81% | 763 |
| 2009 | 65,928 | 69,611 | 135,539 | 1.62% | 654 |
| 2010 | 82,246 | 70,531 | 152,777 | 1.73% | 725 |
| 2011 | 67,864 | 63,367 | 131,231 | 1.42% | 622 |
| 2012 | 53,595 | 56,065 | 109,660 | N/A | 521 |
| 2013 | 130,780 | 87,291 | 218,071 | N/A | N/A |

Note:

1) Population figures from US Census Bureau (www.quickfacts.census.gov).

2) Per Capita Personal Income figures for Monroe County from US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).

**THE CITY OF ROCHESTER, NEW YORK
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(000's Omitted, except per capita amount)**

| Fiscal Year | Total Primary Government General Obligation Bonds | Less: Amounts Available for Debt | Total | Percentage of Estimated Actual Taxable Value of Property | Per Capita (1) |
|--------------------|--|---|--------------|---|-----------------------|
| 2004 | 136,364 | 61,354 | 75,010 | 1.60% | 354 |
| 2005 | 115,366 | 57,222 | 58,144 | 1.15% | 277 |
| 2006 | 150,248 | 51,799 | 98,449 | 1.95% | 473 |
| 2007 | 128,940 | 78,666 | 50,274 | 0.99% | 243 |
| 2008 | 157,797 | 72,086 | 85,711 | 1.67% | 414 |
| 2009 | 135,539 | 63,856 | 71,683 | 1.26% | 346 |
| 2010 | 152,777 | 64,352 | 88,425 | 1.55% | 427 |
| 2011 | 131,231 | 27,232 | 103,999 | 1.82% | 494 |
| 2012 | 109,660 | 23,554 | 86,106 | 1.50% | 408 |
| 2013 | 218,071 | 34,725 | 183,346 | 3.13% | 871 |

Notes:

1) Population figures for 2004 - 2012 are from US Census Bureau www.quickfacts.census.gov, current year data unavailable. 2012 population used for 2013.

**THE CITY OF ROCHESTER, NEW YORK
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2013
(000's Omitted)**

| Jurisdiction | Debt Outstanding | Percentage Applicable to City of Rochester | Amount Applicable to City of Rochester |
|----------------------|-----------------------------|---|---|
| City of Rochester | \$ 130,780 | 100.00% | \$ 130,780 |
| County of Monroe (1) | <u>407,574</u> | 14.90% | <u>60,729</u> |
| Total | <u>\$ 538,354</u> | | <u>\$ 191,509</u> |

(1) Source: County of Monroe Finance Department

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of the County of Monroe that is borne by the property taxpayers of the City of Rochester. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**THE CITY OF ROCHESTER, NEW YORK
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(000's Omitted)**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt limit | \$ 431,025 | \$ 450,269 | \$ 461,655 | \$ 469,406 | \$ 515,947 | \$ 522,808 | \$ 522,785 | \$ 529,676 | \$ 530,872 | \$ 529,709 |
| Total net debt applicable to limit | <u>308,620</u> | <u>304,616</u> | <u>316,237</u> | <u>313,025</u> | <u>328,185</u> | <u>350,662</u> | <u>338,141</u> | <u>320,038</u> | <u>311,105</u> | <u>331,979</u> |
| Legal debt margin | <u>\$ 122,405</u> | <u>\$ 145,653</u> | <u>\$ 145,418</u> | <u>\$ 156,381</u> | <u>\$ 187,762</u> | <u>\$ 172,146</u> | <u>\$ 184,644</u> | <u>\$ 209,638</u> | <u>\$ 219,767</u> | <u>\$ 197,730</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 71.60% | 67.65% | 68.50% | 66.69% | 63.61% | 67.07% | 64.68% | 60.42% | 58.60% | 62.67% |

Legal Debt Margin Calculation for Fiscal Year 2013

| | | | |
|--|--------------|-----|-------------------|
| Indebtedness | | | |
| Borrowings (Bonds and Notes) | \$ 386,160 | (1) | |
| Contract liabilities | - | (2) | \$ 386,160 |
| Deductions and Exclusions | | | |
| Water Bonds and Notes | 52,131 | (3) | |
| Sanitary Sewer Bonds and Notes | - | (3) | |
| Appropriation | - | (4) | |
| Cash and cash equivalents | <u>2,050</u> | (5) | <u>54,181</u> |
| Net indebtedness | | | <u>331,979</u> |
| Debt limit (9% of five-year average full valuation) | | | <u>529,709</u> |
| Debt Contracting Margin | | | <u>\$ 197,730</u> |

Continued

**THE CITY OF ROCHESTER, NEW YORK
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(000's Omitted)**

Continued

Notes:

- (1) Represents all bond and note debt of the City. Includes water and sewer debt -- listed above under "Deductions and Exclusions".
- (2) Represents amounts due pursuant to contracts for capital improvements or the acquisition of equipment guaranteed by the City and listed under "Deductions and Exclusions".
- (3) Amounts excluded pursuant to Article VIII, Section 5 of State Constitution and Section 136.00 of Local Finance Law.
- (4) Represents outstanding indebtedness not otherwise excluded to the extent current budgetary appropriation, not yet realized as cash, may be applied to pay such indebtedness. Excluded pursuant to Section 136.00 of the Local Finance Law.
- (5) Represents cash on hand to pay principal of outstanding indebtedness not otherwise excluded, and investment of such cash at market value. The source of funds represents: (a) federal grants for projects already bonded; (b) proceeds of bonds and notes to pay outstanding contract liabilities; and (c) proceeds of notes available to pay principal of notes to the extent contracts to be financed with such proceeds were not consummated. The debt is excluded pursuant to Section 136.00 of Local Finance Law.

**THE CITY OF ROCHESTER, NEW YORK
DEMOGRAPHIC ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|------------|------------|---------|---------|
| Population (1) | 211,894 | 209,662 | 208,123 | 206,759 | 206,886 | 207,294 | 210,565 | 210,855 | 210,532 | 210,532 |
| Total Personal Income Monroe County (2) | \$ 25,561,752 | \$ 26,432,592 | \$ 27,756,375 | \$ 29,338,061 | \$ 31,200,177 | \$ 30,014,544 | 31,282,676 | 32,728,163 | N/A | N/A |
| Per Capita Personal Income Monroe County (2) | \$ 34,493 | \$ 35,792 | \$ 37,594 | \$ 39,686 | \$ 42,104 | \$ 40,375 | 42,011 | 43,894 | N/A | N/A |
| School District Enrollment (3) | 33,832 | 33,055 | 33,380 | 32,586 | 32,718 | 32,132 | 31,511 | 31,247 | 30,734 | 29,523 |
| Unemployment Rate (4) | 6.9% | 6.0% | 5.9% | 5.9% | 7.4% | 10.3% | 10.8% | 10.5% | 10.8% | 10.0% |
| Employed (4) | 89,800 | 90,300 | 88,800 | 88,100 | 87,600 | 84,800 | 84,100 | 83,900 | 83,700 | 83,800 |

Source:

- 1) 2004 - 2012 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable, 2012 population used for 2013.
- 2) US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).
- 3) Rochester City School District (www.rcsdk12.org).
- 4) www.labor.state.ny.us (Average rates computed through August 2013) for City of Rochester.

**THE CITY OF ROCHESTER, NEW YORK
PRINCIPAL PRIVATE-SECTOR EMPLOYERS IN THE ROCHESTER AREA
CURRENT YEAR AND NINE YEARS PRIOR**

| | 2013 | | | 2004 | | |
|--|------------------|------|--|------------------|------|--|
| | Employees (1) | Rank | Percentage of Total Employment (2) | Employees (1) | Rank | Percentage of Total Employment (2) |
| University of Rochester/Strong Memorial Hospital | 20,340 | 1 | 3.98% | 13,400 | 2 | 2.52% |
| Wegmans Food Markets Inc. | 13,976 | 2 | 2.74% | 5,579 | 4 | 1.05% |
| Rochester General Health System (ViaHealth) | 7,600 | 3 | 1.49% | 4,434 | 5 | 0.83% |
| Xerox Corporation | 6,116 | 4 | 1.20% | 8,600 | 3 | 1.62% |
| Unity Health System | 5,472 | 5 | 1.07% | 3,012 | 6 | 0.57% |
| Eastman Kodak Company | 5,129 | 6 | 1.00% | 20,600 | 1 | 3.87% |
| Paychex | 3,712 | 7 | 0.73% | - | - | - |
| Lifetime Healthcare Cos. Inc. | 3,584 | 8 | 0.70% | 3,000 | 7 | - |
| Rochester Institute of Technology | 3,299 | 9 | 0.65% | 2,668 | 8 | 0.50% |
| YMCA of Greater Rochester | 2,732 | 10 | 0.53% | - | - | - |
| Delphi Corporation | - | - | - | 2,500 | 9 | 0.47% |
| Frontier Communications | - | - | - | 2,100 | 10 | 0.39% |

(1) Source: Rochester Business Journal The Lists - 2013 Edition.

(2) Employment source: www.labor.state.ny.us employment data as of 12/31/12

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

THE CITY OF ROCHESTER, NEW YORK
BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| City Council and Clerk | 27.2 | 27.2 | 27.2 | 27.2 | 27.2 | 27.2 | 26.7 | 26.7 | 25.7 | 23.1 |
| Administration | 200.9 | 191.1 | 188.8 | 184.3 | 218.8 | 208.3 | 138.9 | 136.1 | 92.5 | 92.9 |
| Information Technology | - | - | - | - | 54.0 | 43.6 | 47.6 | 48.5 | 49.5 | 49.6 |
| Finance | 142.2 | 138.3 | 138.8 | 138.6 | 97.4 | 94.4 | 107.0 | 106.4 | 95.9 | 102.6 |
| Neighborhood & Business Development (1) | - | - | - | - | - | - | 154.5 | 153.2 | 140.0 | 137.6 |
| Community Development | 100.7 | 98.5 | 97.9 | 96.6 | 94.7 | 90.8 | - | - | - | - |
| Economic Development | 26.2 | 25.7 | 24.7 | 22.8 | 21.9 | 20.8 | - | - | - | - |
| Environmental Services | 749.4 | 733.3 | 731.3 | 736.2 | 738.7 | 728.2 | 716.1 | 712.6 | 684.7 | 679.2 |
| Emergency Communications | 181.6 | 182.9 | 186.4 | 187.6 | 192.6 | 192.6 | 198.6 | 196.7 | 234.8 | 231.6 |
| Police | 915.0 | 912.1 | 909.1 | 923.8 | 984.1 | 989.5 | 958.9 | 963.3 | 930.7 | 940.0 |
| Fire | 569.6 | 568.3 | 565.5 | 562.5 | 554.2 | 537.9 | 534.9 | 525.2 | 513.4 | 518.2 |
| Library | 192.4 | 182.0 | 178.3 | 172.9 | 172.9 | 169.7 | 166.6 | 168.4 | 154.3 | 146.2 |
| Recreation & Youth Services | 301.3 | 295.2 | 295.4 | 277.4 | 199.3 | 195.4 | 194.8 | 192.4 | 198.9 | 188.0 |
| Total | <u>3,406.5</u> | <u>3,354.6</u> | <u>3,343.4</u> | <u>3,329.9</u> | <u>3,355.8</u> | <u>3,298.4</u> | <u>3,244.6</u> | <u>3,229.5</u> | <u>3,120.4</u> | <u>3,109.0</u> |

Full-time Employees
Last Ten Fiscal Years

| | | | | | | | | | | |
|-----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| City | 3,054 | 3,003 | 2,984 | 2,963 | 2,963 | 2,893 | 2,840 | 2,801 | 2,719 | 2,703 |
| School District | 6,013 | 5,864 | 5,825 | 6,099 | 6,073 | 6,296 | 6,053 | 5,579 | 5,256 | 5,365 |
| Total | <u>9,067</u> | <u>8,867</u> | <u>8,809</u> | <u>9,062</u> | <u>9,036</u> | <u>9,189</u> | <u>8,893</u> | <u>8,380</u> | <u>7,975</u> | <u>8,068</u> |

Note:

(1) Community Development and Economic Development merged into Neighborhood & Business Development

**THE CITY OF ROCHESTER, NEW YORK
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Estimated 2013 |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------------|
| Emergency Communications | | | | | | | | | | |
| Calls received | 1,127,659 | 1,148,793 | 1,210,515 | 1,104,893 | 1,092,231 | 1,060,971 | 1,050,971 | 1,083,485 | 1,143,000 | 1,175,000 |
| Police | | | | | | | | | | |
| Calls for service | 424,851 | 461,855 | 406,141 | 413,820 | 465,268 | 395,883 | 416,876 | 411,421 | 398,758 | 411,780 |
| Reported crimes | 39,344 | 38,212 | 30,404 | 47,369 | 30,907 | 41,593 | 44,296 | 45,576 | 42,842 | 42,646 |
| Fire | | | | | | | | | | |
| Unit responses | 45,765 | 45,003 | 46,652 | 52,548 | 53,226 | 53,226 | 47,539 | 46,553 | 44,251 | 44,400 |
| Refuse | | | | | | | | | | |
| Residential accounts | 52,673 | 52,476 | 53,015 | 52,690 | 52,560 | 52,337 | 52,340 | 52,408 | 52,030 | 52,446 |
| Commercial accounts | 2,660 | 2,638 | 2,641 | 2,625 | 2,650 | 2,672 | 2,663 | 2,478 | 2,416 | 2,386 |
| Total tonnage | 120,939 | 116,054 | 113,636 | 109,835 | 109,258 | 106,687 | 104,282 | 104,886 | 105,500 | 109,200 |
| Residential cost per ton | \$101.93 | \$105.14 | \$100.50 | \$108.59 | N/A | N/A | N/A | N/A | N/A | N/A |
| Commercial cost per ton | \$157.69 | \$151.81 | \$168.77 | \$169.31 | N/A | N/A | N/A | N/A | N/A | N/A |
| Water | | | | | | | | | | |
| Millions of gallons per day: | | | | | | | | | | |
| Filtration plant production | 37.35 | 34.50 | 35.58 | 38.46 | 36.35 | 37.29 | 37.00 | 37.00 | 35.90 | 37.60 |
| City water demand | 32.15 | 30.15 | 29.59 | 30.55 | 30.44 | 28.90 | 27.86 | 28.32 | 27.33 | 27.80 |
| Library | | | | | | | | | | |
| Total circulation | 1,667,529 | 1,626,157 | 1,298,760 | 1,315,811 | 1,436,450 | 1,474,828 | 1,540,559 | 1,559,881 | 1,403,642 | 1,436,899 |
| Parking | | | | | | | | | | |
| Total parking spaces | 11,948 | 11,953 | 11,743 | 11,637 | 11,165 | 8,926 | 11,008 | 10,887 | 10,642 | 10,642 |
| Annual car counts | 2,993,264 | 2,902,784 | 2,929,728 | 2,396,205 | 2,671,826 | 2,667,998 | 2,574,767 | 2,574,767 | 2,485,920 | 2,569,680 |
| Parks and Recreation | | | | | | | | | | |
| Convention Center attendance | 312,680 | 325,000 | 363,004 | 274,000 | 278,845 | 279,618 | 279,618 | 241,951 | 260,000 | 260,000 |
| War Memorial/Blue Cross Arena | | | | | | | | | | |
| Total attendance | 573,678 | 498,741 | 437,051 | 536,927 | 472,428 | 509,644 | 366,828 | 460,672 | 546,000 | 429,000 |

Source: City of Rochester Budget & Departments

**THE CITY OF ROCHESTER, NEW YORK
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Miles of streets | 539 | 539 | 539 | 539 | 539 | 540 | 540 | 540 | 540 | 532 |
| Parking garages | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Libraries | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Fire houses | 16 | 16 | 16 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| City-owned street lights 1) | 13,200 | 10,936 | 15,037 | 15,348 | 15,673 | 16,400 | 16,500 | 27,849 | 27,800 | 27,900 |
| Fire hydrants | 7,287 | 7,287 | 7,287 | 7,287 | 7,287 | 7,287 | 7,686 | 7,686 | 7,843 | 7,634 |

Source: City of Rochester Budget & Departments

1) Rochester Gas & Electric had maintained approximately 11,000 street lights up through 2010 but now the City maintains all these lights.

SINGLE AUDIT REPORTS



**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 Honorable Mayor and Members of City Council
The City of Rochester, New York

We have audited 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rochester, New York (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying the Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

A significant deficiency is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Rochester's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
December 26, 2013



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
The City of Rochester, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Rochester, New York's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City's basic financial statements include the operations of the Rochester City School District (the District), a discretely presented component unit, which received \$88,598,018 in federal awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the District because it was determined that the District's federal awards are being presented separately to the Federal Audit Clearinghouse by the District and they are audited as a separate entity.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Freed Maxick CPAs, P.C.

Rochester, New York
December 26, 2013

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

| | Grant Number | CFDA Number | Amount |
|--|-----------------|----------------|------------|
| AMERICAN RECOVERY AND REINVESTMENT ACT | | | |
| CDBG - R | B-09-MY-36-0003 | 14.253 | \$ 686,000 |
| Energy Conservation Block Grant | DE-EE0000964 | 81.128 | 565,526 |
| COPS Hiring Recovery Program | 2009R.JWX0064 | 16.710 | 2,188,328 |
| Justice Assistance Grant | 2009-SB-B9-0612 | 16.804 | 418,727 |
| DOT Grants | | 20.205 | 196,700 |
| DOT Grants (Pass thru NYS) | | 20.205 | 72,291 |
| University Ave. Artwalk | | 20.205 | 1,373,536 |
| DEPT. OF HOUSING AND URBAN DEVELOPMENT: | | | |
| CDBG PY 1996 | B-96-MC-36-0003 | 14.218 | 2,555 |
| CDBG PY 1997 | B-97-MC-36-0003 | 14.218 | 2,121 |
| CDBG PY 1998 | B-98-MC-36-0003 | 14.218 | 1,960 |
| CDBG PY 1999 | B-99-MC-36-0003 | 14.218 | 7,991 |
| CDBG PY 2000 | B-00-MC-36-0003 | 14.218 | 7,177 |
| CDBG PY 2001 | B-01-MC-36-0003 | 14.218 | 15,568 |
| CDBG PY 2002 | B-02-MC-36-0003 | 14.218 | 27,629 |
| CDBG PY 2003 | B-03-MC-36-0003 | 14.218 | 16,816 |
| CDBG PY 2004 | B-04-MC-36-0003 | 14.218 | 52,088 |
| CDBG PY 2005 | B-05-MC-36-0003 | 14.218 | 15,632 |
| CDBG PY 2006 | B-06-MC-36-0003 | 14.218 | 2,818 |
| CDBG PY 2007 | B-07-MC-36-0003 | 14.218 | 161,638 |
| CDBG PY 2008 | B-08-MC-36-0003 | 14.218 | 503,551 |
| CDBG PY 2009 | B-09-MC-36-0003 | 14.218 | 2,442,973 |
| CDBG PY 2010 | B-10-MC-36-0003 | 14.218 | 4,077,949 |
| CDBG PY 2011 | B-11-MC-36-0003 | 14.218 | 3,040,724 |
| CDBG PY 2012 | B-12-MC-36-0003 | 14.218 | 4,384,046 |
| Emergency Shelter | S-11-MC-36-0006 | 14.231 | 238,129 |
| Emergency Shelter | S-12-MC-36-0006 | 14.231 | 408,815 |
| Home Program 1999 | M-99-MC-36-0504 | 14.239 | 202 |
| Home Program 2003 | M-03-MC-36-0504 | 14.239 | 18,903 |
| Home Program 2004 | M-04-MC-36-0504 | 14.239 | 136,826 |
| Home Program 2006 | M-06-MC-36-0504 | 14.239 | 39,599 |
| Home Program 2007 | M-07-MC-36-0504 | 14.239 | 22,451 |
| Home Program 2008 | M-08-MC-36-0504 | 14.239 | 207,111 |
| Home Program 2009 | M-09-MC-36-0504 | 14.239 | 102,050 |
| Home Program 2010 | M-10-MC-36-0504 | 14.239 | 932,592 |
| Home Program 2011 | M-11-MC-36-0504 | 14.239 | 2,091,024 |
| Home Program 2012 | M-12-MC-36-0504 | 14.239 | 327,022 |
| Lead Based Paint Abatement Program | NYLHD0185-08 | 14.905 | 26,906 |
| Lead Hazard Control Grant LED04 | NYLHD0457-09 | 14.900 | 657,115 |
| Lead Hazard Control Grant LED05 | NYLHD0247-12 | 14.900 | 393,288 |
| Neighborhood Stabilization Program (Pass thru NYS-HCR) | 1028 | 14.228 | 323,914 |
| HOPWA | N-YH-11-F003 | 14.241 | 475,279 |
| HOPWA | N-YH-12-F003 | 14.241 | 571,928 |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| Brownfield Grant EPA-04 | BF97259406 | 66.818 | 8,666 |
| Brownfield Grant EPA-06 | BF97249307 | 66.818 | 12,187 |
| Brownfield Grant EPA-07 | BF97249207 | 66.818 | 955 |
| Brownfield Grant EPA-09 | BF97254807 | 66.818 | 57,369 |
| Brownfield Grant EPA-11 | BF97228701 | 66.818 | 28,051 |
| Brownfield Grant EPA-12 | BF97219700 | 66.818 | 165,366 |
| Brownfield Grant EPA-13 | BF97207700 | 66.818 | 61,930 |
| Brownfield Grant EPA-14 | BF97207800 | 66.818 | 10,583 |
| Brownfield Grant EPA-15 | BF97207900 | 66.818 | 154,221 |

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

| | Grant Number | CFDA Number | Amount |
|--|-------------------|----------------|-----------|
| U.S. DEPARTMENT OF JUSTICE | | | |
| Justice Assistance Grant-6 | 2009-DJ-BX-0250 | 16.738 | \$ 13,119 |
| Justice Assistance Grant-7 | 2010-DJ-BX-1037 | 16.738 | 77,292 |
| Justice Assistance Grant-8 | 2011-DJ-BX-2223 | 16.738 | 16,769 |
| Justice Assistance Grant-9 | 2012-DJ-BX-0584 | 16.738 | 55,431 |
| ATF 10/1/11-9/30/12 | 12-NYC-141-AFF | 16.012 | 16,682 |
| ATF 10/1/12-9/30/13 | 13-NYC-141-AFF | 16.012 | 43,331 |
| OCDETF 10/1/11-9/30/12 extended to 9/30/13 | NY-NYW-253 | 16.012 | 2,695 |
| OCDETF 2/1/13-9/30/13 | NY-NYW-272 | 16.012 | 22,228 |
| COPS Methamphetamine Initiative | 2009CKWX0098 | 16.710 | 172,752 |
| PASS THROUGH FROM DCJS: | | | |
| Byrne Grant- Pawn Shop Initiative | T632610 | 16.738 | 49,854 |
| Juvenile Accountability Conferencing 2012 | T612178 | 16.540 | 4,232 |
| Stop Violence Against Women 2012 | C-554644 | 16.588 | 43,730 |
| Stop Violence Against Women 2013 | C-554645 | 16.588 | 33,372 |
| PASS THROUGH FROM OFFICE OF VICTIMS SERVICES: | | | |
| Crime Victims Assistance 2011-2012 | C-501131 | 16.575 | 61,151 |
| Crime Victims Assistance 2012-2013 | C-501131 | 16.575 | 154,177 |
| PASS THROUGH FROM COUNTY OF MONROE: | | | |
| Grants to Encourage Arrest- Domestic Abuse Response Team | G240300012.1214 | 16.590 | 26,938 |
| PASS THROUGH FROM RIT: | | | |
| Project Safe Neighborhoods- Pathways to Peace | 2011-GP-BX-0087 | 16.609 | 12,338 |
| | Subaward 30998-01 | | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| NYS DEPARTMENT OF TRANSPORTATION (Pass Through) | | | |
| Broad Street Tunnel - 4751.87 | D011450 | 20.205 | 1,218,782 |
| Lake Avenue - 4752.49 | D011414 | 20.205 | 1,104 |
| West Ridge Road | D013560 | 20.205 | 912,046 |
| Broad Street Bridge | D013824 | 20.205 | (116,400) |
| Port Intel Trans System | D022323 | 20.205 | 54,791 |
| Mt. Hope Ave. & E. Henrietta Road | D022408 | 20.205 | 867,227 |
| Smith Street Bridge | D024554 | 20.205 | 16,000 |
| Inner Loop Study Phase II | D017599 | 20.205 | 64,057 |
| Ridgeway Avenue | D031733 | 20.205 | 28,677 |
| Butterhole-Seneca Park Rail Trail | D031578 | 20.205 | 30,271 |
| Safe Routes to School | D032205 | 20.205 | 24,883 |
| Dewey Driving Park | D032530 | 20.205 | 1,331,000 |
| Lake Ave Merrill to Burley | D033366 | 20.205 | 57,825 |
| Waring Road | D033327 | 20.205 | 72,411 |
| Rochester Intermodal Station | DR33023 | 20.205 | 72,367 |
| Brooks Landing Revitalization | D032280 | 20.205 | 4,800 |
| Elmwood Ave Bridge | D033821 | 20.205 | 49,664 |
| Jefferson Ave - Plymouth to W. Main | D033727 | 20.205 | 1,232,884 |
| Rochester Bicycle Enhancements | D033491 | 20.205 | 12,345 |
| Hybrid Electrical Charging Stations | D003978 | 20.205 | 21,600 |
| Preventive Maintenance (Driving Park) | D033820 | 20.205 | 23,722 |
| Preventive Maintenance (Otis, University, South) | D033477 | 20.205 | 99,760 |
| Preventive Maint (Genesee,Plymouth,Northland, Buffalo) | D033709 | 20.205 | 436,108 |
| Preventive Maintenance (2 bridges) | D033704 | 20.205 | 47,944 |
| Winton Road North | D033808 | 20.205 | 42,040 |
| Inner Loop Sidewalk & Crosswalks | D033662 | 20.205 | 358,808 |
| Selective Traffic Enf Program 2013 | PD-00088-(028) | 20.600 | 10,693 |
| Selective Traffic Enf Program 2012 | PD-00042-(028) | 20.600 | 19,051 |
| Child Passenger Safety Program 2013 | PD-00078-(028) | 20.613 | 2,963 |

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

| | Grant Number | CFDA Number | Amount |
|---|---------------------|----------------|----------------------|
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | |
| Substance Abuse | 1-H79-SP13209-01 | 93.276 | \$ 110,391 |
| Federal Pregnancy Prevention Grant Yr 1 of 5 | 1-TP1AH000046-01-00 | 93.297 | |
| Federal Pregnancy Prevention Grant Yr 2 of 5 incl carryover | 1-TP1AH000046-02-00 | 93.297 | 715,582 |
| Federal Pregnancy Prevention Grant Yr 3 of 5 incl carryover | 1-TP1AH000046-03-01 | 93.297 | 1,205,415 |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| 2007 MMRS (PASS THROUGH - NYS DHSES) | WM07834475 | 97.071 | - |
| 2008 MMRS (PASS THROUGH - NYS DHSES) | WM08834485 | 97.071 | 115,256 |
| 2009 MMRS (PASS THROUGH NYS DHSES) | WM09834495 | 97.071 | 117,863 |
| 2010 MMRS (PASS THROUGH NYS DHSES) | WM10834405 | 97.071 | 35,727 |
| 2011 MMRS (PASS THROUGH NYS DHSES) | WM11834415 | 97.071 | 101,519 |
| 2010 Bomb Squad Initiative (PASS THROUGH - NYS DHSES) | WM10153701 | 97.067 | 41,722 |
| SHSP-2011 (PASS THROUGH- NYS DHSES) | WM11153710 | 97.067 | 23,790 |
| UASI- 2008 (PASS THROUGH - NYS DHSES) | WM08153783 | 97.067 | 232,634 |
| UASI- 2009 (PASS THROUGH - NYS DHSES) | WM09153793 | 97.067 | 554,079 |
| UASI- 2010 (PASS THROUGH- NYS DHSES) | WM10153703 | 97.067 | 160,768 |
| AFG -2009 Rescue Vehicle & Other Equipment | EMW2009-FO-06588 | 97.044 | 97,498 |
| AFG -2010 Generators/Bailout Equipment | EMW2010-FO-07097 | 97.044 | 29,127 |
| SHSP-2008 (MONROE COUNTY PASS THROUGH) | G240800012.0811 | 97.067 | 21,801 |
| LETPP- 2009 (MONROE COUNTY PASS THROUGH) | G240800013.0912 | 97.067 | 135,295 |
| SHSP-2010 (MONROE COUNTY PASS THROUGH) | C834400 | 97.067 | 13,228 |
| NATIONAL ENDOWMENT FOR THE ARTS | | | |
| Artwork Extension Improvement | 10-4229-7078 | 45.024 | 239,347 |
| U.S. DEPARTMENT OF EDUCATION | | | |
| PASS THROUGH (From NYS Dept. of Education) | | | |
| 21st Century Grant RASA IV Year 5 | 0187104089 | 84.287 | 651,386 |
| U.S. DEPARTMENT OF AGRICULTURE: | | | |
| Summer Food Service (PASS THROUGH - NYS DOE) | 36-079500 | 10.559 | 248,232 |
| TOTAL CITY GRANTS | | | \$ 40,391,000 |

THE CITY OF ROCHESTER, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Rochester, New York (the City) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the City's financial reporting system, which is the source of the City's basic financial statements. Grant numbers were presented where available.

NOTE 3 - MAJOR PROGRAM DETERMINATION

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

NOTE 4 - ASSET CONTROL AREA AGREEMENT ("ACA")

Participating in this program (CFDA# 14.311), the City purchased houses from the Department of Housing and Urban Development at a discount. In turn, to revitalize the City's housing stock, these units are rehabilitated and resold to low to moderate-income families. The value of these discounts was \$90,600 in the 2013 program year. While the cost of the property purchases and the revenue from sales are reported in the City's basic financial statements, the expenses for rehabilitation are reported in the schedule of expenditures of federal awards under the CDBG Program (CFDA#14.218) and the Home Program (CFDA# 14.239). The combined acquisition and rehabilitation costs of these properties exceed the final sale prices.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes 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 section 510(a) of Circular A-133? Yes X No

Identification of major programs:

| <u>Name of Federal Programs or Clusters</u> | <u>CFDA Number(s)</u> |
|--|-----------------------|
| Community Development Block Grant (including ARRA) | 14.218/14.253 |
| Public Safety Partnership and Community Policing Grants (including ARRA) | 16.710 |
| JAG Program Cluster (including ARRA) | 16.738/16.804 |

Dollar threshold used to distinguish between type A and type B programs (3% of total federal awards) \$ 1,211,730

Auditee qualified as low-risk auditee? X Yes No

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (Continued)

II. FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2013-001 Financial Accounting and Reporting – Fixed Assets

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: Internal controls related to the recording, disposal and reporting of fixed assets are not operating effectively. Effective January 1, 2011, the City entered into a sewer asset transfer and operation and maintenance agreement with Rochester Pure Waters District. The City entered into this agreement partly to clarify conditions by the City would transfer ownership of all City-owned sanitary, storm and combined sewer assets including, but not limited to, land, easements, equipment, property and appurtenances. However, these assets were never transferred off of the City's fixed asset listing.

Context: This misstatement was discovered by the City during the preparation of the notes to the financial statements during the current year.

Effect: Fixed assets and net position were overstated in the prior fiscal year in the governmental activities in the government-wide financial statements.

Cause: Internal controls related to recording, disposal and reporting of fixed assets are not operating effectively.

Recommendation: We recommend that the City establish better communication between departments to ensure the effect of any new agreements is considered for financial reporting purposes. We also recommend that the Accounting and Finance Departments review Council minutes regularly throughout the year for any new agreements that were approved by City Council that could have a financial impact on the City.

Management Response: *Management Response: Procedurally, the Accounting Bureau receives a copy of all City Council Ordinances. However, signed contracts/agreements are received at a later date. Regarding this specific transaction, the Ordinance was passed by City Council in mid-December 2010. At that time the incumbent Mayor was departing office to accept a position with New York State. The following months were disorderly as challenges, including legal challenges, were leveled at the City and its mayoral succession plan. Therefore, we believe this agreement may have not gone through the normal process with respect to legal review, departmental review, etc. as there were no press releases or news articles related to this matter for such a significant transfer of capital assets. In addition, these facilities had been leased for decades by Rochester Pure Waters District.*

Accounting will consult with the Law Department and other departments to improve the process so that Accounting is properly notified of all agreements pertaining to capital assets and will also ensure that Ordinances are scrutinized for matters pertaining to capital assets.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013 (Continued)

I. **FINANCIAL STATEMENT FINDINGS**

SIGNIFICANT DEFICIENCIES

12-1. Financial Accounting and Reporting

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: The City began the implementation of a new accounting system during July 2011. Therefore, during the audit the City was still in the transition process between the old and new systems. This resulted in a significant amount of time in obtaining reports and final financial statements from the client, therefore resulting in a prolonged audit and a significant number of adjustments by management. There were also issues in the current year related to the City's reconciliation of cash. Due to the recording of cash transactions and accounts receivable, specifically related to the parking fund, City personnel were unable to perform bank reconciliations and identify general ledger posting errors in a timely manner. We believe this causes a significant deficiency in financial accounting and reporting.

Context: During the audit it was very difficult to obtain the correct reports in a timely manner due to the implementation of the new accounting system. Due to this, cash reconciliations were not prepared in a timely manner.

Effect: The audit was not performed in an efficient manner and many of the reports and provided by the new system could not be relied upon for testing purposes. In addition, cash reconciliations were not prepared timely which resulted in instances where audit procedures had to be reperformed.

Cause: The new accounting system was not fully integrated and employees had not been fully and properly trained on the system before the audit began.

Status: See Finding No. 2013-002

12-2. Financial Accounting and Reporting

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: Internal controls related to the recording and reporting of fixed assets are not operating effectively. In the prior year the City capitalized two assets into buildings due to the completion of a capital project. However, at the same time these two assets remained in construction in progress resulting in an over statement of fixed assets in the business-type activities and the parking fund.

Context: This prior year misstatement was discovered by the City during the reconciliation of fixed assets during the current year.

Effect: Fixed assets were overstated in the prior fiscal year in the business-type activities and the parking fund.

Cause: Internal controls related to recording and reporting of fixed assets are not operating effectively.

Status: See Finding No. 2013-001

THE CITY OF ROCHESTER, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE
TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2013**

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

NEW YORK STATE TRANSPORTATION ASSISTANCE

**REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE OVER STATE TRANSPORTATION ASSISTANCE EXPENDED
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
The City of Rochester, New York

Report On Compliance For Each Major Federal Program

We have audited the City of Rochester, New York's, (the City) compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on the major state transportation assistance program tested for the year ended June 30, 2013. The program tested is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state transportation assistance program 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 Draft Part 43 of NYCRR. Those standards and Draft Part 43 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 the state transportation assistance program tested has occurred. An audit includes examining, on a test basis, evidence about the City'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 state transportation assistance program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State Transportation Assistance Program

In our opinion, the City 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 state transportation assistance program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with requirements types of requirements that could have a direct and material effect on the major state transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state transportation assistance program and to test and report on the internal control over compliance in accordance with Draft Part 43 of NYCRR, 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 City's internal control over compliance.

A deficiency in internal control over compliance control 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 state transportation assistance 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 a material noncompliance with a type of compliance requirement of a state transportation assistance 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 state transportation assistance 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 the 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 Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
December 26, 2013

THE CITY OF ROCHESTER, NEW YORK
 SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
 YEAR ENDED JUNE 30, 2013

| | Grant Number | Current Year |
|--|-----------------|---------------------|
| CITY GRANTS | | |
| STATE OF NEW YORK: | | |
| DEPARTMENT OF TRANSPORTATION: | | |
| Broad Street Tunnel - 4757.87 | D011450 | \$ 228,521 |
| Lake Avenue - 4752.49 | D011414 | 207 |
| West Ridge Road | D013560 | (910,084) |
| Lake Front Development | A218B | 43,000 |
| Inner Loop Study | D017599 | 12,011 |
| Smith Street Bridge | D024554 | (21,638) |
| Ridgeway Avenue | D031733 | 733 |
| Snow & Ice Control | D005375 | 56,920 |
| Butterhole-Seneca Park Rail Trail | 4MA044.30A | 770 |
| Butterhole-Seneca Park Rail Trail | C006780 | 1,059 |
| Waring Road | D033327 | 16,609 |
| Lake Avenue - Merrill to Burley | D033366 | 34,737 |
| Rochester Rhinos Stadium - Ph 2B | 3979 | 585,117 |
| Preventive Maintenance (Otis, University, South) | D033477 | 17,504 |
| Consolidated Street & Highway Improvements | | 3,063,875 |
| Mt. Hope Avenue and E. Henrietta Road | D022408 | 163,112 |
| | | <hr/> |
| Total | | <u>\$ 3,292,453</u> |

THE CITY OF ROCHESTER, NEW YORK

NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of State Transportation Assistance Expended by the City of Rochester, New York, (the City), an entity as defined in Note 1 to the City's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting.

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