THE CITY OF ROCHESTER, NEW YORK

Comprehensive Annual Financial Report Year Ended June 30, 2013

> Prepared by: Department of Finance

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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

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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.

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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; Optimation 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 Rattlers of the Major Lacrosse League (outdoor); 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)

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

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 — $5\frac{1}{2}\%$ for municipal purposes and $3\frac{1}{2}\%$ 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,

two

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

 $\Diamond\Diamond\Diamond$

Adam C. McFadden (South District)

Carolee A. Conklin (At-Large)

Elaine M. Spaull (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
Neighborhood & Business Development	

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



s 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 <u>amounts are expressed in thousands of dollars</u>, 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)

	Govern activ			ss-type ⁄ities	То	tal	
	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

	5		((000's Omi	tted)						
						usiness-					
	Governme	ental				type					
	activitie	s			a	activities					
	20)13		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					
	2013	2012		2013		2012		2013		2012
Land	\$ 25,043	\$ 25,316	\$	10,107	\$	10,439	\$	35,150	\$	35,755
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.

			(000's On	nitte	a)							
	 Govern activ	-		Business-type activities					Total			
	2013		2012	2013 2012			2012		2013		2012	
General obligation bonds	\$ 130,780	\$	53,595	\$	87,291	\$	56,065	\$	218,071	\$	109,660	
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; Optimation 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)

		Co	mponent Unit					
		Governmental Activities		usiness- type ctivities		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)				C C		Ũ		
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		1,070,399		344,731		1,415,130		854,230
DEFERRED OUTFLOWS OF RESOURCES Deferred charges on refunding		_		-		_		2,185
Total deferred outflows of resources		-		-		-		2,185
Total assets and deferred outflows of resources	\$	1,070,399	\$	344,731	\$	1,415,130	\$	856,415
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	\$	511,107	\$	127,304	\$	638,411	\$	795,928
NET POSITION								
Net investment in capital assets	\$	547,613	\$	187,190	\$	734,803	\$	231,322
Restricted for:	7	, 5 . 6	Ŧ	,	Ŧ	,	Ŧ	
Capital projects		127,618		10,625		138,243		-
Community development		14,423				14,423		-
		26 934		7 831		34 765		-
Debt Service Unrestricted (deficit)		26,934 (157,296)		7,831 11,781		34,765 (145,515)		- (170,835)

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)

	,, _0 .0 (000 0	<u>e</u>		Р	rogram	Revenues			Net (Expense) Revenue and Changes in Net Position						
			Operating Capital Grants						Primary Government						
Functions/Programs	Expenses		Charges for Services		Grants and Contributions		and Contributions		Governmental Activities		Business-type Activities				
Primary government:															
General government	\$	119,387	\$	40,648	\$	3,860	\$	20,855	\$	(54,024)	\$	-	\$		
Police department		143,722		10,961		1,492		44		(131,225)		-			
Fire department		82,560		1,860		690		68		(79,942)		-			
Emergency communications		23,218		17,220		-		-		(5,998)		-			
Transportation		4,094		940		1,415		6,715		4,976		-			
Environmental services		43,419		19,058		62		2,156		(22,143)		-			
Recreation & youth services		18,818		1,243		1,949		175		(15,451)		-			
Library		13,958		2,729		7,835		-		(3,394)		-			
Neighborhood business development		41,888		3,740		53,528		124		15,504		-			
Interest on long-term debt		3,664		-		-		-		(3,664)		-			
Education		119,100		-		-		-		(119,100)		-			
Total governmental activities		613,828		98,399		70,831		30,137		(414,461)		-			
-															
Business-type Activities:															
Water		33,206		37,705		-		-		-		4,499			
War memorial		2,696		1,586		-		-		-		(1,110)			
Parking		7,580		10,899		-		-		-		3,319			
Cemetery		3,016		1,767		-		-		-		(1,249)			
Public Market		789		774		-		-		-		(15)			
Refuse		27,383		25,534		-		-		-		(1,849)			
Total business-type activities		74,670		78,265								3,595			
Total primary government	\$	688,498	\$	176,664	\$	70,831	\$	30,137	\$	(414,461)	\$	3,595	\$		
rotal primary government	•	000,400	Ψ	170,004	Ψ	70,001	Ψ	30,137	Ψ	(107,101)	Ψ	5,555	Ψ		
Component unit:															
Public school system	\$	731,174	\$	2,180	\$	101,981	\$	-	\$	-	\$	-	\$		
			<u> </u>												
			General reve						¢	4 47 04 0	¢	4 000	¢		
			Property ta						\$	147,218	\$	1,998	\$		
			Sales taxes							136,409		-			
			Payment in							4,672		-			
			Other taxes							12,691		905			
				ntal aid - (unrestr	ricted)					120,271		7			
			Investment	t earnings						4		57			
			Allocation t	o school district	- (unrest	ricted)				-		-			
			Miscellane	ous						12,846		1,091			
			Transfers							5,374		(5,374)			
			Total gener	ral revenues and	transfers	3				439,485		(1,316)			
			Change	in net position						25,024		2,279			
			Net position							562,720		215,148			
			Prior Period							(28.452)		-			

Prior Period Adjustment

Net position - ending

Net position - beginning of year as restated

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

\$

(28,452)

534,268

559,292

\$

-

\$

215,148

217,427

		Component
		Unit
Total		School
		District
(54,024)	\$	-
(131,225)	Ŧ	-
(79,942)		-
(5,998)		-
4,976		-
(22,143)		-
(15,451)		_
(3,394)		_
(3,394) 15,504		_
(3,664)		_
		-
(119,100)		-
(414,461)		-
4,499		-
(1,110)		-
3,319		-
(1,249)		-
(15)		-
(1,849)		-
3,595		-
(410,866)	\$	-
-	\$	(627,013)
149,216	\$	-
136,409		-
4,672		-
13,596		-
120,278		476,580
61		283
-		119,100
13,937		8,289
-		
438,169		604,252
27,303	. <u> </u>	(22,761)
777,868		83,248
(28,452)		,
749,416		-
776,719	\$	60,487
	*	00,-01
THE CITY OF ROCHESTER, NEW YORK BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013 (000's Omitted)

				Capital Projects				Special Revenue	Nonmajor Govern-		Total Govern-	
	 General		Debt Service	 General		Trans- portation	Community Development			mental Funds		mental Funds
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	\$ 202,791	\$	31,707	\$ 122,460	\$	31,235	\$	44,492	\$	47,492	\$	480,177
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	 134,158		4,773	 23,365		9,363		4,783		20,376		196,818
DEFERRED INFLOWS OF RESOURCES												
Unavailable revenue	-		-	-		-		25,286		63		25,349
Total deferred inflows of resources	-		-	 -		-		25,286		63		25,349
Total liabilities and deferred inflows of resources	\$ 134,158	\$	4,773	\$ 23,365	\$	9,363	\$	30,069	\$	20,439	\$	222,167
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	 68,633		26,934	 99,095		21,872		14,423		27,053		258,010
Total liabilities, deferred inflows of resources, and fund balances	\$ 202,791	\$	31,707	\$ 122,460	\$	31,235	\$	44,491	\$	47,492	\$	480,177

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	25,349
as unavailable revenue in the funds.	
Internal Service funds are used by management to charge the cost of risk management and health insurance to individual funds.	28,019
The assets and liabilities of the internal service funds are included in gvernmental activities in the statement of net position.	
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)
	(284 079)

OPEB liability	(284,079)
NYS Canal lease liability	(545)
Pollution remediation liability	(11,611)
Net position of governmental activities	\$ 559,292

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)

	2013 (000's Omitted)		Capi Proje	ects	Special Revenue	Nonmajor Govern-	Total Govern-	
	General	Debt Service	General	Trans- portation	Community Development	mental Funds	mental Funds	
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	
Licensees 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	466,313	10,352	21,252	8,793	30,183	43,459	580,352	
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	440,825	103	48,649	19,206	23,854	39,748	572,385	
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)	0,002	(9,137)	(54,497	
Payment to refunded bond escrow agent	(37,093)	(11,055)	(1,000)	(3,094)	-	(9,137)	(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	(22,665)	(1,068)	62,726	41,244	3,382	(1,848)	81,771	
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	\$ 68,633	\$ 26,934	\$ 99,095	\$ 21,872	\$ 14,423	\$ 27,053	\$ 258,010	

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 balancestotal 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 polution 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 Compensated absences	(809) (246)
Change in net position of governmental activities	\$ 25,024

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

				Business-type	Activities- Enterpris	e Funds		
	Water	Parking	Ν	War Iemorial	Refuse	Cemetery	Public Market	Total Funds
ASSETS	 							
Current assets:								
Cash and cash equivalents	\$ 10,160	\$ 5,606	\$	274	\$ 17,365	\$ 3,440	\$ 991	\$ 37,836
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
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
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
LIABILITIES	 							
Current liabilities:								
Accounts payable and accrued liability	2,122	872		34	2,383	525	100	6,036
Accrued interest payable	679	328		168	2,000	18	-	1,193
Worker's compensation, current portion	702	50		-	1,820	23	3	2,598
Notes payable	1,485	891			1,020	20	5	2,376
Bonds payable	5,737	2,629		890		36		9,292
Due to other funds	614	74		000	12	41	27	768
Due to other governments	281	62		_	260	28	9	640
Unearned revenue				-	200	144	9	197
Total current liabilities	 - 11,620	53 4,959		- 1,092	4,475	815	139	23,100
Noncurrent liabilities:								
Worker's compensation	1,010	72			2,619	34	5	3,740
Bonds payable	47,499	18,096		11,205	2,013	1,199	5	77,999
OPEB liability	10,974	1,321		11,205	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
NET DOSITION	 							
NET POSITION	115 004	14 700		14 000	6 205	6.040	0 704	407 400
Net investment in capital assets	115,021	41,799		14,229	6,305	6,042	3,794	187,190
Restricted for health insurance	-	-		-	-	-	-	40.005
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
Total net position	\$ 130,036	\$ 46,816	\$	15,710	\$ 10,666	\$ 9,411	\$ 4,788	\$ 217,427

_	Governmental Activities- Internal Service Fund							
	\$	28,608						
		-						
		-						
		7,000						
		-						
-		35,608						
		-						
		-						
		-						
		-						
		-						
-		-						
-		35,608						

6,402
-
-
-
-
1,187
-
-
 7,589
-
-
-
 -
 7,589
-
4,644
-
-
 23,375
\$ 28,019

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												Governmental Activities-			
	Water		P	Parking		War morial	F	Refuse	Cemetery		Public Market		Total Funds		Internal Service Fund	
Operating revenues:																
Charges for services	\$	37,705	\$	10,899	\$	1,586	\$	25,534	\$	1,767	\$	774	\$	78,265	\$	28,536
Total operating revenues	1	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 CITY OF ROCHESTER, NEW YORK STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2013 (000's Omitted)

					E	Business-	type A	ctivities- Ent	erprise	Funds					Governmental Activities- Internal	
	Wate	er	P	arking		Var norial		Refuse	Cemetery		Public Market		Total Funds		Service Fund	
CASH FLOWS FROM OPERATING ACTIVITIES																
Receipts from customers and users	\$3	37,333	\$	10,773	\$	1,629	\$	25,661	\$	1,773	\$	774	\$	77,943	\$	28,537
Payments to suppliers	(1	1,905)		(866)		(904)		(10,605)		(674)		(328)		(25,282)		(21,894)
Payments to employees	(1	1,497)		(1,750)		(10)		(11,904)		(1,355)		(200)		(26,716)		-
Net cash provided (used) by operating activities	1	3,931		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	(1	3,242)		(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		9,967	\$	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		3,898	\$	8,155	\$	714	\$	3,136	\$	(258)	\$	246	\$	25,891	\$	6,642
Net Cash provided (used) by operating activities	\$ 1	3,898	\$	8,155	\$	714	\$	3,136	\$	(258)	\$	246	\$	25,891	\$	

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

	Р	rivate		
	G	irants	A	gency
ASSETS				
Cash and cash equivalents	\$	1,805	\$	23,587
Investments		2,350		-
Receivables (net of allowance for uncollectibles)		-		219
Total assets		4,155		23,806
LIABILITIES				
Accounts payable and accrued liabilities		897		23,806
Total liabilities		897		23,806
NET POSITION				
Held in trust and other purposes	\$	3,258	\$	-

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		
	G	irants	
ADDITIONS			
Additions	\$	459	
Net investment earnings		154	
Total additions		613	
DEDUCTIONS			
Community services		1,244	
Change in Net Position		(631)	
Net Position - beginning of the year		3,889	
Net Position - end of the year	\$	3,258	

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 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 Water 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 PRONOUCEMENTS

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. 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 S		Special Revenue	Nonmajor	Total Govern-
	General	Debt Service	General	Transportation	Community Development	Govern- mental	mental Funds
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 cont	tracts:						
General government	945	-	-	-	-	-	945
Police	310	-	-	-	-	-	310
Fire	212	-	-	-	-	-	212
Emergency communications	143	-	-	-	-	-	143
Environmental services	1,723	-	-	-	-	-	1,723
Recreation & Youth services Neighborhood & business	496	-	-	-	-	-	496
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.

<u>Interest Rate Risk.</u> 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.

<u>Credit Risk.</u> 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.

<u>Custodial Credit Risk.</u> 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.

<u>Concentration of Credit Risk.</u> 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 ly 1, 2012	Inc	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	 27,107		1,835		2,867		26,075	
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	 927,184		50,783		11,410		966,557	
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	 297,398		27,246		7,615		317,029	
Total capital assets, being depreciated, net:	 629,786		23,537		3,795		649,528	
Governmental activities capital assets, net:	\$ 656,893	\$	25,372	\$	6,662	\$	675,603	

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

		Balance					Balance		
Class	Ju	ly 1, 2012	Inc	reases	Dec	creases	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
Public market Total depreciation expense - business type activities	\$ 192 13,879

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

Class	Balance July 1, 2012 Increas			creases	es 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		33,543		96,750		10,551		119,742		
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		642,956		10,189		4,951		648,194		
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		275,974		24,672		4,325		296,321		
Total capital assets, being depreciated, net:		366,982		(14,483)		626		351,873		
School District capital assets, net:	\$	400,525	\$	82,267	\$	11,177	\$	471,615		

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):

	Balance July 1, 2012		New Issues/ Additions		Maturities/ Reductions		Balance June 30, 2013		Due Within One Year	
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	\$	50,453	\$	6,296	\$	(50,453)	\$	6,296	\$	6,296

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

	_	Balance July 1, 2012						New Issues/ Additions		Maturities/ Reductions		Balance June 30, 2013		e Within ne Year
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	\$	33,940	\$	2,376	\$	(33,940)	\$	2,376	\$	2,376				

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):

	Balance July 1, 2012		-	lssues/ itions	 aturities/ ductions	Bala June 3	ince 0, 2013	Due Within One Year	
Bond Anticipation Notes									
Capital Projects Fund	\$	35,162	\$	-	\$ (35,162)	\$	-	\$	-
Total Bond Anticipation Notes	\$	35,162	\$	-	\$ (35,162)	\$	-	\$	-

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 ly 1, 2012	 w Issues/ dditions	 aturities/ ductions	 Balance le 30, 2013	 e Within ne 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):

	BalanceNew Issues/Maturities/BalanceJuly 1, 2012AdditionsReductionsJune 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:

	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

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

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 are 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	(Governmen	tal	Activities	В	usiness-Typ	Type Activities			School District				
Ending June 30		Principal		Interest		Principal		Interest		Principal		Interest		Total
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
	\$	121,694	\$	24,324	\$	83,981	\$	20,132	\$	171,813	\$	38,829	\$	460,773

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,LW,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		\$ 377,488,000			

(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 Districts 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	\$ 14,931	\$ 3,313	\$ 18,244
Claims incurred 2012-13	\$ 7,209	\$ 1,007	\$ 8,216
Payments 2012-13	(5,691)	(1,131)	 (6,822)
Estimated claims June 30, 2013	\$ 16,449	\$ 3,189	\$ 19,638

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):

	Workers'				
	Compensation	Major Me	dical	Tot	tal
Estimated claims June 30, 2011	\$ 21,39	7 \$	-	\$	21,397
Claims incurred 2011-12	4,25	2	-		4,252
Payments 2011-12	(3,62	3)			(3,623)
Estimated claims June 30, 2012	\$ 22,02	<u>\$</u>	-	\$	22,026
Claims incurred 2012-13	\$ 4,79	<u> </u>	34,056	\$	38,852
Payments 2012-13	(4,24	l)(2	29,480)		(33,721)
Estimated claims June 30, 2013	\$ 22,58	\$	4,576	\$	27,157

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:

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

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	Sch	ool 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 <u>Cost</u>	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 <u>Cost</u>	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 employees 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):

-	cal Year d June 30,	Ret	ployees' tirement ystem	Ret	achers' tirement ystem	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	Ret	ployees' tirement ystem	Ret	e and Fire tirement system	Re	eachers' tirement System	Total Retirement Systems		
City	\$	4,250	\$	6,515	\$	-	\$	10,765	
School District		4,824		-		32,516		37,340	
Total	\$	9,074	\$	6,515	\$	32,516	\$	48,105	

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):

						Du	e From:							
Due To:	G	eneral	eneral Capital	1	anspor- tation Capital		nmunity Dev	G	nmajor overn- nental	ternal ervice	Pro	prietary	_	Total
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	\$	26,200	\$ 87,089	\$	11,032	\$	3,468	\$	2,437	\$ 7,000	\$	3,141	\$	140,367

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:	General	Debt General General Service Capital		Transpor- tation Community <u>Capital Development</u>		Transfer In: Nonmajor Govern- mental capital projects	Nonmajor Government al Special Revenue	Internal Service	Proprietary	Total
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	- ¢ 075	<u> </u>	<u> </u>	- <u>-</u>	2,582
	\$ 15,228	\$ 1,244	\$ 28,991	\$ 4,862	\$ 3,382	\$ 275	\$ 1,029	\$ 7,442	\$-	\$ 62,453

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)

	Gener	ral Fund	Special Rev	venue Fund	und Enterprise Funds		Total				
	<u>Final</u>	Actual	Final	Actual	<u>Final</u>	Actual	<u>Original</u>	<u>Final</u>	Actual	Variance	
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	465,985	466,222	35,834	35,860	80,216	82,330	576,136	582,035	584,412	2,377	
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	347,639	328,526	32,383	29,367	75,526	66,278	455,544	455,548	424,171	31,377	
Excess of revenues over expenditures	118,346	137,696	3,451	6,493	4,690	16,052	120,592	126,487	160,241	33,754	

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)

	General Fund		Special Revenue Fund		Enterprise Funds		Total				
	<u>Final</u> <u>Actual</u>		Final Actual		Final <u>Actual</u>		<u>Original</u> <u>Final</u>		<u>Actual Var</u>		riance
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	(123,766)	(138,073)	(4,456)	(4,706) -	(5,283)	- (10,737)	- (128,865)	(133,505)	(153,516)		(20,011)
Appropriation of prior year fund balance	5,420	<u> </u>	1,005		593	<u> </u>	6,821	7,018			(7,018)
Deficiency of revenues and other sources											
over expenditures and other uses-Budget Basis	\$ -	(377)	\$ -	1,787	\$ -	5,315	\$ -	\$ -	6,725	\$	6,725
Encumbrances included in actual		4,067		188		529			4,784		
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		867		58		232			1,157		
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		65,810		7,152		215,148			288,110		
Fund equity - end of year		\$ 68,633		\$ 9,069		\$ 217,427			\$ 295,129		

(continued)

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)

	Actuarial Valuation Date	Actuarial Valuation of Asset	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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)

-	Fiscal Year	Annual Required Contribution	ŗ	с	Actual ontribution	Perce Contri	•
	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)

				apital rojects										Specia Rever								Total onmajor
		conomic sistance	С	ultural/ creation	Se	ewers		nimal ontrol	L	ibrary		Local Works		ederal ojects		State rojects	Ce	emetery	(Other		ernmental Funds
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)	Ŷ	2,000	Ŧ	1,001	Ŷ		Ŧ	002	÷	Ũ	Ŷ	10,200	Ŷ	_,0	Ŷ	_,	Ŷ	0,	÷	.,	Ŷ	00,010
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
								00														00
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					Special Revenu				Total Nonmajor
	Economic Assistance	Cultural/ Recreation	Sewers	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	Governmental Funds
REVENUES	Assistance	Recreation	Dewers		Library	Works	110jecta	110jecta	T elpetual oure	Other	T unus
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)

	В	alance					В	alance
	June	e 30, 2012	A	ditions	De	ductions	June	e 30, 2013
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		15,695		26,608		18,497		23,806
LIABILITIES								
Accounts payable and accrued liabilities		15,695		18,524		10,413		23,806
Total liabilities	\$	15,695	\$	18,524	\$	10,413	\$	23,806

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 These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	76
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	83
Debt Capacity 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.	87
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	92
Operating Information 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.	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	\$ 558,642	\$ 599,259	\$ 597,484	\$ 563,021	\$ 558,362	\$ 565,278	\$ 580,197	\$ 579,082	\$ 534,268	\$ 559,292
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	\$ 176,025	\$ 179,582	\$ 179,673	\$ 183,414	\$ 194,664	\$ 203,984	\$ 214,246	\$ 217,966	\$ 215,148	\$ 217,427
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	\$ 734,667	\$ 778,841	\$ 777,157	\$ 746,435	\$ 753,026	\$ 769,262	\$ 794,443	\$ 797,048	\$ 749,416	\$ 776,719

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	\$ 9	5,832	\$ 102,200	\$ 11	9,387
Police	84,091	90,509	111,195	113,896	124,310	123,793	126,085	13	3,107	128,413	14	13,722
Fire	51,688	57,330	68,391	69,551	68,041	69,232	69,949	7	1,028	69,022	8	32,560
Emergency communications	10,523	11,988	14,437	14,798	15,222	16,416	16,966	1	7,765	19,281	2	23,218
Transportation	24,937	27,618	31,630	31,244	25,468	23,380	21,312	1	4,946	8,098		4,094
Environmental services	20,376	21,204	21,768	26,268	31,904	33,166	34,574	4	3,954	36,819	4	13,419
Recreation & youth services	18,516	20,815	21,754	24,886	15,406	20,311	10,355	1	7,743	18,225	1	8,818
Library	11,148	10,795	12,121	12,419	12,324	12,387	12,723	1	2,161	13,143	1	3,958
Neighborhood business development	30,039	29,907	35,265	34,423	33,595	34,379	38,726	4	1,930	34,908	4	1,888
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	11	9,100	119,100	11	9,100
Ferry	-	-	-	21,259	-	-	-		-	-		-
Total governmental activities expenses	 441,580	439,823	494,863	537,594	526,971	523,337	536,136	57	1,011	552,280	61	3,828
Business-type activities:												
Water	24,950	25,654	28,797	28,571	28,505	27,632	28,499	3	1,089	31,960	3	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		6,603	26,637	2	27,383
Port of Rochester	-	-	-	-	-	-	-		-	-		· -
Total business-type activities expenses	 61,182	59,743	 65,244	62,815	 63,224	63,454	 66,707	7	0,468	76,325	7	4,670
Total primary government expenses	\$ 502,762	\$ 499,566	\$	\$ 600,409	\$ 590,195	\$ 586,791	\$ 602,843		1,479	\$ 628,605	\$ 68	
Program Revenues												
Governmental activities:												
Charges for services:												
-	\$ 7,248	\$ 7,992	\$ 8.372	\$ 8,968	\$ 10.222	\$ 10.987	\$ 13.121	\$ 1	5.681	\$ 10.500	\$ 4	0.648
General government	\$ 7,248 6.829	\$ 7,992 6,473	\$ 8,372 7,102	\$ 8,968 6,677	\$ 10,222 7,560	\$ 10,987 8,062	\$		5,681 6,989	\$ 10,500 9.084		10,648 10,961
General government Police	\$ 6,829	\$ 6,473	\$ 7,102	\$ 6,677	\$ 7,560	\$ 8,062	\$ 8,234		6,989	\$ 9,084	1	0,961
General government Police Fire	\$ 6,829 888	\$ 6,473 1,100	\$ 7,102 1,006	\$ 6,677 764	\$ 7,560 1,195	\$ 8,062 887	\$ 8,234 809		6,989 843	\$ 9,084 1,268	1	0,961 1,860
General government Police Fire Emergency communications	\$ 6,829 888 9,902	\$ 6,473 1,100 11,074	\$ 7,102 1,006 10,789	\$ 6,677 764 11,011	\$ 7,560 1,195 12,353	\$ 8,062 887 13,113	\$ 8,234 809 13,345		6,989 843 5,896	\$ 9,084 1,268 14,473	1	0,961 1,860 7,220
General government Police Fire Emergency communications Transportation	\$ 6,829 888 9,902 844	\$ 6,473 1,100 11,074 818	\$ 7,102 1,006 10,789 828	\$ 6,677 764 11,011 915	\$ 7,560 1,195 12,353 820	\$ 8,062 887 13,113 386	\$ 8,234 809 13,345 942	1	6,989 843 5,896 975	\$ 9,084 1,268 14,473 970	1) 1 [°]	0,961 1,860 7,220 940
General government Police Fire Emergency communications Transportation Environmental services	\$ 6,829 888 9,902 844 16,989	\$ 6,473 1,100 11,074 818 18,640	\$ 7,102 1,006 10,789 828 17,294	\$ 6,677 764 11,011 915 19,719	\$ 7,560 1,195 12,353 820 20,969	\$ 8,062 887 13,113 386 21,713	\$ 8,234 809 13,345 942 20,663	1	6,989 843 5,896 975 2,959	\$ 9,084 1,268 14,473 970 18,511	1 1 1	0,961 1,860 7,220 940 9,058
General government Police Fire Emergency communications Transportation Environmental services Recreation & youth services	\$ 6,829 888 9,902 844 16,989 2,117	\$ 6,473 1,100 11,074 818 18,640 2,067	\$ 7,102 1,006 10,789 828 17,294 2,005	\$ 6,677 764 11,011 915 19,719 2,201	\$ 7,560 1,195 12,353 820 20,969 2,228	\$ 8,062 887 13,113 386 21,713 3,322	\$ 8,234 809 13,345 942 20,663 2,280	1	6,989 843 5,896 975 2,959 1,864	\$ 9,084 1,268 14,473 970 18,511 1,589	1) 1 1;	0,961 1,860 7,220 940 9,058 1,243
General government Police Fire Emergency communications Transportation Environmental services Recreation & youth services Library	\$ 6,829 888 9,902 844 16,989 2,117 2,207	\$ 6,473 1,100 11,074 818 18,640 2,067 2,365	\$ 7,102 1,006 10,789 828 17,294 2,005 2,579	\$ 6,677 764 11,011 915 19,719 2,201 2,778	\$ 7,560 1,195 12,353 820 20,969 2,228 2,456	\$ 8,062 887 13,113 386 21,713 3,322 2,933	\$ 8,234 809 13,345 942 20,663 2,280 3,112	1	6,989 843 5,896 975 2,959 1,864 3,202	\$ 9,084 1,268 14,473 970 18,511 1,589 2,603	1) 1 1	0,961 1,860 7,220 940 9,058 1,243 2,729
General government Police Fire Emergency communications Transportation Environmental services Recreation & youth services Library Neighborhood business development	\$ 6,829 888 9,902 844 16,989 2,117 2,207 3,623	\$ 6,473 1,100 11,074 818 18,640 2,067 2,365 3,624	\$ 7,102 1,006 10,789 828 17,294 2,005 2,579 4,294	\$ 6,677 764 11,011 915 19,719 2,201 2,778 4,013	\$ 7,560 1,195 12,353 820 20,969 2,228 2,456 5,637	\$ 8,062 887 13,113 386 21,713 3,322 2,933 3,491	\$ 8,234 809 13,345 942 20,663 2,280 3,112 4,720	1 2	6,989 843 5,896 975 2,959 1,864 3,202 4,090	\$ 9,084 1,268 14,473 970 18,511 1,589 2,603 4,529	1) 1 1 1	0,961 1,860 7,220 940 9,058 1,243 2,729 3,740
General government Police Fire Emergency communications Transportation Environmental services Recreation & youth services Library	\$ 6,829 888 9,902 844 16,989 2,117 2,207	\$ 6,473 1,100 11,074 818 18,640 2,067 2,365	\$ 7,102 1,006 10,789 828 17,294 2,005 2,579	\$ 6,677 764 11,011 915 19,719 2,201 2,778	\$ 7,560 1,195 12,353 820 20,969 2,228 2,456	\$ 8,062 887 13,113 386 21,713 3,322 2,933	\$ 8,234 809 13,345 942 20,663 2,280 3,112	1 2 3	6,989 843 5,896 975 2,959 1,864 3,202	\$ 9,084 1,268 14,473 970 18,511 1,589 2,603	1) 1 1: 	0,961 1,860 7,220 940 9,058 1,243 2,729

Continued

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

(000's Omitted)																		Continu	ieu	
		2004		2005		2006		2007		2008		2009		2010		2011		2012		201
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	\$	37,70
War memorial		1,595		1,515		1,541		1,442		1,460		1,781		1,452		1,406		1,571		1,58
Parking		4,156		4,108		3,835		3,892		2,879		3,139		4,437		9,040		9,805		10,89
Cemetery		1,573		1,665		1,399		1,195		1,147		1,117		1,062		1,232		1,370		1,7
Public market		533		543		575		608		642		675		749		716		730		7
Refuse		20,589		22,506		23,436		24,804		25,110		24,817		24,452		26,001		25,724		25,5
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		78,20
otal primary government program revenues	\$	169,849	\$	167,377	\$	179,288	\$	174,178	\$	178,086	\$	183,581	\$	191,798	\$	229,705	\$	193,477	\$	277,6
let (expense)/revenue																				
Governmental activities	\$	(331,782)	\$	(335,296)	\$	(380,002)	\$	(428,888)	\$	(414,875)	\$	(409,297)	\$	(410,390)	\$	(415,993)	\$ ((433,991)	\$ (414,4
Business-type activities	·	(1,131)		3,107		(817)		2,657		2,766		6,087		(655)		4,219		(1,137)	. 、	3,5
otal primary government net expense	\$	(332,913)	\$	(332,189)	\$. ,	\$	(426,231)	\$		\$		\$	(411,045)	\$	· · · · · · · · · · · · · · · · · · ·	\$ (,	\$ (410,8
General Revenues and Other Changes in let Position Governmental activities: Taxes																				
Property taxes	\$	130,602	¢	131,917	¢	137,278	¢	139,276	\$	136,921	\$	141,531	\$	141,319	\$	146,544	\$	146,698	\$	147,2
Sales taxes	ψ	115,501	Ψ	118,000	Ψ	122,240	Ψ	120,518	Ψ	130,865	Ψ	122,077	Ψ	123,392	Ψ	129,467	-	135,941		136,4
Payment in-lieu of tax		115,501		110,000		122,240		120,010		130,003		122,077		10,903		11,068		10,755		4,6
Other taxes		30,874		28,007		26,893		28,860		28,725		25,711		13,251		13,897		12,654		12,6
Governmental aid - (unrestricted)		62,097		77,604		79,149		91,402		105,188		131,431		108,437		106,069		104,323		120,2
Investment earnings		2,097		3,126		5,971		8,124		7,143		3,228		2,938		781		1,499		120,2
Miscellaneous		1,599		4,272		2,019		1,566		2,290		2,330		2,930 1,492		1,519		2,062		12,84
Transfers		5,284		4,427		4,677		4,679		(916)		4,593		11,441		5,533		3,697		5,3
Fotal governmental activities		348,044		367,353		378,227		394,425		410,216		430,901		413,173		414,878		417,629		439,4
Business-type activities:		040,044		007,000		010,221		004,420		410,210		400,001		410,170		414,070		417,020		400,40
Taxes																				
Property taxes		1,895		2,024		2,024		2,658		3,876		3,379		5,557		2,142		2,330		1,9
Other taxes		933		985		905		905		905		1,131		905		1,131		679		9
Governmental aid		31		34		-		18		125		1,133		157		11		160		
Investment earnings		242		426		1,257		737		1,180		711		793		308		401		
Miscellaneous		1,323		1,408		1,399		1,445		1,482		1,472		1,480		1,442		1,616		1,0
		-		-		-		-		-		, -		13,466		-		-		<i>,</i> –
		(5.00.4)		(4,427)		(4,677)		(4,679)		916		(4,593)		(11,441)		(5,533)		(3,574)		(5,3
Gain on Sale of land		(5,284)						1,084		8,484		3,233		10,917		(499)		1,612		(1,3
Gain on Sale of land Transfers		(5,284) (860)		450		908												1,012		
Gain on Sale of land Transfers otal business-type activities	\$	(5,284) (860) 347,184	\$	450 367,803	\$	908 379,135	\$	395,509	\$	418,700	\$		\$		\$	· /	\$	419,241	\$	438,1
Gain on Sale of land Transfers otal business-type activities otal primary government	\$	(860)	\$		\$		\$		\$	-	\$		\$		\$	· /	\$		\$	438,1
Gain on Sale of land Transfers Fotal business-type activities Fotal primary government Change in Net Position	\$	(860) 347,184		367,803		379,135		395,509		418,700		434,134		424,090		414,379		419,241		
Gain on Sale of land	\$	(860)								-						· /				438,10 25,02 2,27

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	 31,807	 28,992	 27,798	 29,765	 29,630	 26,842	 14,156	15,028	13,333	13,596
Total taxes	\$ 279,805	\$ 280,933	\$ 289,340	\$ 292,217	\$ 301,292	\$ 293,829	\$ 295,327	\$ 304,249	\$ 309,057	\$ 303,893

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	200	7 200	8 2009	2010	2011	2012	2013
General fund										
Reserved	\$ 10,412	\$ 10,938	\$ 11,726	\$ 13,43	5 \$ 20,283	3 \$ 21,033	\$ 20,679	\$-	\$-	\$-
Unreserved	7,605	7,819	8,002	8,24	4 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	18,017	18,757	19,728	21,67	9 28,659	29,559	33,970	67,623	65,810	68,633
All other governmental funds										
Reserved	92,542	117,199	88,082	119,32	1 122,450) 133,568	137,407	-	-	-
Unreserved, designated	,	,	,	,	,		,			
for subsequent yr's expenditures	-	-	-	57	7 66 ⁻	l 2,028	462	-	-	-
Unreserved, reported in:										
Special revenue funds	6,647	1,908	10,209	5,12	4 3,070) 3,987	7,119	-	-	-
Capital projects funds	(3,519)	(28,106)	24,746	20,22				-	-	-
Permanent funds	5,684	5,860	6,050	6,36			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	101,354	96,861	129,087	151,60	3 147,300	6 144,944	167,363	113,849	102,462	189,377
Total all governmental funds	\$ 119 371	\$ 115.618	\$ 148.815	\$ 173.28	7 \$ 175.96	5 \$ 174.503	\$ 201.333	\$ 181 472	\$ 168 272	\$ 258,010
Total all governmental funds	\$ 119,371	\$ 115,618	\$ 148,815	\$ 173,28	7 \$ 175,965	5 \$ 174,503	\$ 201,333	\$ 181,472	\$ 168,272	\$

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)

Sake is 14/213 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 14/243 12/243 22/253 22/253		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Resistance in a second of a se	Revenues										
Other traces . <t< td=""><td></td><td>\$ 129,517</td><td>\$ 131,724</td><td>\$ 135,751</td><td>\$ 138,081</td><td>\$ 135,851</td><td>\$ 144,594</td><td>\$ 141,446</td><td>\$ 144,393</td><td>\$ 148,055 \$</td><td>149,507</td></t<>		\$ 129,517	\$ 131,724	\$ 135,751	\$ 138,081	\$ 135,851	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055 \$	149,507
One takes .				149,934				123,338	128,995	135,407	136,332
Departmental Instant of inversing Instant of inversing and powerly and powerly and powerly and powerly the of nonversing and powerly instant of inversing and powerly instant o		-	-	-	-	-	-				
Instruction . <th< td=""><td></td><td>34,788</td><td>36,478</td><td>36,408</td><td>39,498</td><td>43,404</td><td>43.530</td><td></td><td></td><td></td><td></td></th<>		34,788	36,478	36,408	39,498	43,404	43.530				
Use of motives and property 2,536 3,633 6,840 9,139 7,686 4,264 3,316 572 1,226 5,121 Linemass and promises 2,000 2,200 3,346 7,200 2,344 4,201 2,316 3,316 4,726 3,316 4,726 3,316 4,726 3,316 4,726 3,316 4,726 3,316 4,726 4,122 Local starters and other 2,310 2,8270 4,820 7,237 2,427 2,837 3,326 4,727 3,316 4,727 3,117 3,748 3,117 3,747 2,827 6,720 46,300 - <td< td=""><td>•</td><td>-</td><td></td><td>-</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td>3</td></td<>	•	-		-		-	-	-	-		3
Liences and generals Liences and generals Liences and other Farly Liences and All Liences and Other Farly Liences and		2,536	3,633	6.840	9,139	7,896	4,254	3,316	872	1,264	-
Factor and 40,512 32,373 33,374 27,348 33,344 47,368 33,442 49,122 Sten add 40,512 30,001 62,769 07,741 11,144 14,142 14,142 14,142 14,142 14,142 13,325 13,325 13,125 14,125 14,125											
Bale all constances and other fails 66.512 (a) (a) (a) (b) (a) (b) (a) (b) (a) (b) (a) (b) (b) (b) (b) (b) (b) (b) (b) (b) (b											
Land sources and other 1 25,530 28,868 28,100 28,868 28,100 28,388 23,77 28,587 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,597 28,577 28,597											
Find - - 10,297 -											
Todal mesulus 451 427 457 820 465 837 515.00 50.055 527.643 565.460 533.323 555.333 516.86 1.777 1 <th1< th=""> 1 1 1</th1<>		25,310	20,000	20,103		32,077	29,567	20,597	30,220	31,127	37,444
Expenditures Conci and onc 1,23 1,43 <th1,43< th=""> <th1,43< <="" td=""><td></td><td>-</td><td>-</td><td>-</td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></th1,43<></th1,43<>		-	-	-		-	-	-	-	-	-
Conci and clerk 1, 431 1, 1478 1, 1462 1, 834 1, 668 1, 674 1, 726	l otal revenues	451,457	467,820	486,393	516,687	521,500	543,568	527,643	561,460	533,232	580,352
Administration 9,449 9,443 9,422 10,062 11,201 11,047 16,660 - - - Information tochnology 7,273 1,765 1,774 1,765 1,876 1,876 3,778 3,778 -	-										
Law 1,783 1,783 1,783 1,783 1,783 1,783 1,783 1,787 -						1,698	1,674		-	-	-
Information behndlogy -	Administration	9,349	9,043	9,492	10,062	11,201	11,047	8,660	-	-	-
France T.228 T.108 T.449 T.607 5.131 5.180 4.068 - - - - Economic development 1.655 1.482 1.500 1.283 1.566 -	Law	1,763	1,816	1,752	1,743	1,865	1,898	1,757	-	-	-
Finance T.228 T.190 T.491 T.600 5.131 5.100 3.485 -	Information technology	-	-	-	-	4,021	3,579	3,786	-	-	-
Neighborhood business development 22,539 21,911 28,965 27,016 26,627 21,800 33,971 33,878 28,878 33,387 28,878 33,387 28,878 33,387 28,878 33,387 28,878 33,387 28,878 33,387 28,878 33,387 33,878 28,373 22,373 28,378 23,386 34,191 36,082 55,644 30,272 23,318 28,387 33,387 33,878 28,387 33,387 28,387 33,387 28,387 33,387 28,387 33,387 28,387 33,387 28,387 13,318 14,218 42,218 42,278 48,212 42,285 48,227 48,226 48,227 48,227 48,226 48,227 48,227 48,227 48,227 48,227 48,227 48,277 48,238 48,27 <td></td> <td>7,228</td> <td>7,198</td> <td>7,449</td> <td>7,607</td> <td></td> <td></td> <td></td> <td>-</td> <td>-</td> <td>-</td>		7,228	7,198	7,449	7,607				-	-	-
Economic development 1,655 1,422 1,509 1,226 1,445 .									33,678	29,833	33,489
Environmental services 29,373 29,373 29,373 29,3870 29,3871 30,387 30,316 31,316 31,316 31,316 31,316 31,316 31,316 31,316 31,316 31,326	•										-
Library 10.267 9.894 10.099 10.216 10.267 11.220 11.220 10.602 10.602 Fire 37,734 39.316 40.030 40.900 41.231 42.412 42.297 42.554 43.265 48.128 Energency communications 7,881 8.160 8.862 8.943 9.419 10.189 10.483 11.121 42.555 44.214 42.555 44.265 44.215 Recreation S youth services 16.375 16.031 116.660 119.100 <	•							35 844	30 272	23 213	25 262
Police 62,283 62,283 62,283 64,212 77,75 78,273 74,213 24,212 74,2414 24,2297 42,213 42,213 42,213 42,215 42,2654 42,254 42,254 42,254 42,254 42,2254 42,215 42,2											
File 37,744 33,316 40,300 40,300 41,211 42,412 42,222 42,564 42,655 48,712 Bernegney, communications 7,681 8,36,69 85,619 13,971 12,967 9,244 11,833 11,541 9,428 Underbitude 60,193 77,583 83,262 82,340 83,619 88,824 - - - Education (Allocation to school distic) 128,100 119,100 <											
Emergency communications 7,891 8,360 8,682 8,433 9,419 10,189 10,483 11,149 12,164 14,833 Moderizational School Inschool district) 122,100 115,100 119,100											
Recreation & youth services 16,375 16,031 16,800 15,361 13,371 12,267 9,264 11,333 11,561 9,484 Education to school disric) 128,100 119,100 12,459 12,459 12,450											
Understructed 60,193 77,583 83,520 82,340 83,619 89,894 89,924 -											
Education (Allocation to school disrict) Education (Allocation to school disrict) Education (Allocation to school disrict) Equals projects Explain projects Education (Allocation to school disrict) Equals projects Equals projects Education (Allocation to school disrict) Equals projects Equals projects Education (Allocation to school disrict) Equals projects Equals projects Education (Allocation to school disrict) Equals projects Education (Allocation to school disrict) Education (Allocation to school disrict) Education (Allocation (Education (Educatio	-										9,489
Capital projects 52,344 47,769 54,165 43,907 57,219 58,057 72,363 - - - Principal relifement 12,849 14,819 12,512 15,877 34,069 37,820 15,125 16,149 14,269 12,450 Interest 3,733 4,082 3,819 7,822 6,629 4,476 3,184 3,800 3,318 3,247 General government - - - - 118,204 124,899 42,618 Fire - - - - - - 1,83 19,474 19,275 General government - - - - - 1,33 19,474 19,275 Fire - - - - - - 1,33 19,474 19,275 Recreation & youth services - - - - 1,717 755 1,667 Recreation & youth services - - -											-
Debt service: Principal informant 12,849 14,819 12,512 15,877 34,069 37,620 15,125 16,149 14,269 14,869 12,469 12,469 12,469 12,469 12,469 12,469 12,469 12,469 12,469 12,429 13,333 3,347 Administrative charges .	Education (Allocation to school district)				119,100				119,100	119,100	119,100
Principal retirement 12,849 14,819 12,512 16,877 34,068 37,620 15,125 16,149 14,269 14,269 12,527 Canceral government - - - 26,629 4,476 3,164 3,860 3,373 3,408 3,247 Administrative charges - - - - 204 2,77 124 Capital outlay: - - - - - 26,829 4,876 3,184 3,547 Capital outlay: - - - - - - - - 14,859 42,618 5,311 42,659 42,618 3,504 753 902 2,618 3,504 753 920 5,317 14,183 19,474 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,217 19,2	Capital projects	52,344	47,769	54,165	43,907	57,219	58,057	72,363	-	-	-
Interest 3,733 4,082 3,919 7,822 6,629 4,476 3,184 3,850 3,138 3,237 Administrative charges - - - - - -204 27 124 General government - - - - - 118,204 124,998 135,018 Transportation - - - - - - 5,814 5,318 General government - - - - - - 5,814 5,318 General government - - - - - - 5,814 5,318	Debt service:										
Administrative charges - - - - - - 204 27 124 General government - - - - - 5,814 5,313 Capital outlay, - - - - 5,814 5,438 5,311 Capital outlay, - - - - - 5,814 5,438 5,311 Capital outlay, - - - - - - 18,204 44,599 42,618 Police - - - - - - 14,193 19,474 19,215 9 9 Transportation - - - - 14,193 19,474 19,215 9 2 2 1,117 755 10,667 3,530 733 920 2 1,117 755 10,667 1,117 755 10,667 3,530 733 920 1,717 757,286 3,625 2,221 1,117 755 1,667 3,630 447,701 572,3865 545,762 540,84	Principal retirement	12,849	14,819	12,512	15,877	34,069	37,620	15,125	16,149	14,269	12,450
Administrative charges - - - - - - 204 27 124 General government - - - - - 5,814 5,313 General government - - - - 5,814 5,438 5,311 General government - - - - - 5,814 5,438 5,311 General government - - - - - - 18,204 44,599 42,618 Police - - - - - - 14,193 19,474 19,215 9 Transportation - - - - - 3,303 733 920 Environmental services - - - 1,117 755 1,667 Library - - - - 1,117 755 1,667 Total expenditures (15,340) (4,934) (8,733) 20,114 (18,035) (2,214) (13,199) (14,469) 7,667	Interest	3,733	4,082	3,919	7,822	6,629	4,476	3,184	3,850	3,138	3,247
General government - - - - 118,204 124,098 135,018 Capital outlay: - - - - 5,814 5,438 5,311 Capital outlay: - - - - - 5,814 5,438 5,311 Capital outlay: - - - - - - 18,204 124,098 135,018 Capital outlay: - - - - - - 14,199 94,2618 Fire - - - - - - - 14,193 19,474 19,275 Recreation & youth services - - - - - 1,717 5,53 520 Environmental services - - - - 1,717 7,55 1,067 Neightohod business development - - - - - 1,414,93 19,474 19,275 Total expenditures 466,797 472,754 495,126 496,573 539,535 545,782 540,842 <	Administrative charges	-	-	-	-	-	-				124
Transportation - - - - 5,814 5,438 5,311 Capital outgy: - - - - - 71,601 44,599 42,618 Police - - - - - - 133 Transportation - - - - - 14,193 19,474 19,215 Recreation & Sputh services - - - - - 1,171 758 1699 Neighborhood business development - - - - - 1,471 5,878 Excess of revenues over (inder) expenditures (15,340) (4,934) (8,733) 20,114 (18,035) (2,214) (18,473) (14,469) <	C C	-	-	-	-	-	-	-			
Capital outlay: - - - - - - 71,601 44,599 42,618 Police - - - - - - - 133 Fire - - - - - - - - - 133 Fire - - - - - - - - - - - - - 133 Transportation - - - - - - - 1,411 58,763 920 1,471 58,762 540,842 579,933 547,701 672,385 1,671 779,933 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 547,701 672,385 640,812 679,933 547,701 672,385 547,701 673,385 547,701 673,385 547,701 673,385 547,701 673,85 547		-	-	-	-	-	-	-			
General government - - - - - 71,601 44,599 42,6189 Police - - - - - - - 133 Price - - - - - - - 133 Transportation - - - - - 14,193 19,474 132,153 Recreation & South services - - - - - - 14,193 19,474 132,153 920 Environmental services - - - - - 1,717 755 1,667 93,532 540,842 579,933 547,701 572,365 Library - - - - - - 659 352 2281 Total expenditures (15,340) (4,934) (8,733) 20,114 (18,035) (2,214) (11,3199 (18,473) 14,469 7,967 Other financing sources (uses) - - - - - - - - - -									0,011	0,100	0,011
Police - 1,4171 5,830 7,73 9,202 - 1,4171 5,876 1,067 - - - - 1,4171 5,876 1,665 3,52 2,221 1,4171 5,876 7,701 572,385 545,782 540,842 579,933 547,701 572,385 - - - - - - - - - - - -		_	_	_	_	_	_	-	71 601	44 599	42 618
Fire - - - - - - - - 9 Transportation - - - - - - - 9 Recreation & youth services - - - - - - 3,500 753 920 Environmental services - - - - - - - 1,471 5,878 Libray - - - - - - - 1,471 5,878 Neighborhood business development - - - - - 1,171 755 1,067 Neighborhood business development - - - - - 1,171 572,385 2540,842 579,933 547,701 572,385 Excess of revenues over -									71,001	44,000	
Transportation14,19319,47419,215Recreation & youth services3,530753920Environmental services <t< td=""><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></t<>		-	-	-	-	-	-	-	-	-	
Recreation & youth services - - - - - - - 3,530 763 920 Environmental services - - - - - - - 1,471 5,878 Library - - - - - - 1,717 755 1,067 Neighborhood business development - - - - - - 659 352 221 Total expenditures 466,797 472,754 495,126 496,673 539,535 545,762 540,842 579,933 547,701 572,385 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 Transfers out (15,340) (4,934) (8,733) 20,114 (18,035) (2,214) (13,199) (18,473) (14,469) 7,967 Transfers out (15,340) (4,934) (66,538) (57,446) (84,400) (88,079) (71,164) (88,118) (57,623) (54,497		-	-	-	-	-	-	-	-	-	•
Environmental services - - - - - - - 1,471 5,878 Library - - - - - - 1,717 755 1,067 Neighborhood business development -	•	-	-	-	-	-	-	-			
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) -	•	-	-	-	-	-	-	-	3,530		
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) (8,73) 20,114 (18,035) (2,214) (13,199) (18,473) (14,469) 7,967 Other financing sources (uses) Transfers in Transfers out 59,029 63,068 65,932 61,804 80,600 88,831 81,231 84,914 58,941 - 11,055 Payment to refunded bond escrow agent - - - - - - - 10,455 Premium on refunding bond issued - - - - - - 10,455 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 <td< td=""><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td><td></td></td<>		-	-	-	-	-	-	-	-		
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 refunding bond issued - - - - - 708 Refunding bonds issued - - - - - 10,450 Transfers from other funds - - - - - 10,450 Proceeds of general obligation debt (capital projects) 34,964 - 42,536 - 24,513 - 29,962 1,767 - 81,154 Total other financing sources (uses	•	-	-	-	-	-	-	-			
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) (54,445) Payment to refunded bond escrow agent - - - - - (14,459) 7,967 Refunding bonds issued - - - - - - (14,049) (54,457) Premium on refunding bonds issued - - - - - - 708 Refunding bonds issued - - - - - - 10,450 Transfers from other funds - - - - - - - 55,011 Proceeds of general obligation debt (capital projects) 34,964 - <td>Neighborhood business development</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td></td> <td></td> <td></td>	Neighborhood business development	-	-	-	-	-	-	-			
(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 - - - - - - - - - 708 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 33,197 24,472 2,678 (1,462) 26,830<	Total expenditures	466,797	472,754	495,126	496,573	539,535	545,782	540,842	579,933	547,701	572,385
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 bond issued - - - - - - 708 Transfers from other funds - - - - - - 708 Transfers form other funds - - - - - - 708 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	Excess of revenues over										
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 bond issued - - - - - - - - 708 Refunding bond issued - - - - - - 708 Refunding bond 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 10,402	(under) expenditures	(15,340)	(4,934)	(8,733)	20,114	(18,035)	(2,214)	(13,199)	(18,473)	(14,469)	7,967
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 bond issued - - - - - - - - 708 Refunding bond issued - - - - - - 708 Refunding bond issued - - - - - - 708 Refunding bond issued - - - - - - 10,450 Transfers from other funds - - - - - - 55,011 Proceeds of general obligation debt (capital projects) 34,964 -	Other financing sources (uses)										
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 bond issued - - - - - - - - 708 Refunding bond issued - - - - - - - - 708 Refunding bond issued - - - - - - - 708 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 41,9	- · ·	50 020	63 068	65 032	61 804	80 600	88 831	81 221	84 914	58 0/1	-
Payment to refunded bond escrow agent - - - - - - - - - - - - - - 708 Premium on refunding bond issued - - - - - - - 708 Refunding bonds issued - - - - - - - 708 Transfers from other funds - - - - - - - - 10,450 Transfers from other funds - - - - - - - - - - 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 (11,437) 1,318											(54 497)
Premium on refunding bond issued - - - - - - - 708 Refunding bonds issued - - - - - - - - 708 Transfers from other funds - - - - - - - - 10,450 Transfers from other funds - - - - - - - - - - 10,450 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 - - - - - - - - - - 89,738		(07,002)	(01,007)	(00,000)	(07,440)	(04,400)	. ,	(71,104)		. ,	. ,
Refunding bonds issued - - - - - - - 10,450 Transfers from other funds - - - - - - - - 10,450 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 - - - - - - - - - - - - - - 10,450 \$ 89,738											
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 - - - - - - - - - 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 - - - - - - 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 <td< td=""><td></td><td></td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>•</td><td>•</td><td>-</td><td></td></td<>			-	-	-	-	-	•	•	-	
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					-		-			-	
Debt service as a percentage of	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										
		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	\$ 276,730	\$ 279,192	\$ 285,685	\$ 288,701	\$ 295,791	\$ 294,210	\$ 289,767	\$ 298,353	\$ 306,871	\$ 303,202

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

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

(1) Source: Monroe County Treasury

<u>Note</u>: **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	
			Percentage of				Percentage of
	Taxable		Total Taxable	Г	Faxable		Total Taxable
	Assessed		Assessed	A	ssessed		Assessed
	Value	Rank	Value		Value	Rank	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	\$ 913,476		15.59%	\$	670,951		14.35%

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)

	Tatal Tau		thin the Fiscal the Levy		Total Collect	tions to Date	Concellations	Outstanding	Percentage of
Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount (2)	Percentage of Levy	Cancellations and/or Adjustments to Tax Levy (3)	Outstanding Delinquent Taxes (Cumulative)	Outstanding Delinquent Taxes to Total Tax
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)

	Governmental Activities	Business-Type Activities			
	General	General	Total	Percentage	
Fiscal	Obligation	Obligation	Primary	of Personal	Per
Year	Bonds	Bonds	Government	Income	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)

	Total Primary Government General	Less: Amounts		Percentage of Estimated Actual Taxable	
Fiscal	Obligation	Available		Value of	Per
Year	Bonds	for Debt	Total	Property	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)

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

(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)

25 \$ 20 _ 05 <u>\$</u>	304,616		461,655 316,237	\$	469,406	\$	515,947	\$	522,808	\$	522,785	\$	500 070	¢			
			316,237						,	Ŧ	022,100	Ψ	529,676	Ф	530,872	\$	529,709
<u>05</u>	145 650				313,025		328,185		350,662		338,141		320,038		311,105		331,979
	145,653	\$	145,418	\$	156,381	\$	187,762	\$	172,146	\$	184,644	\$	209,638	\$	219,767	\$	197,730
60%	67.65%	, D	68.50%		66.69%		63.61%		67.07%		64.68%		60.42%		58.60%		62.67%
\$				\$	386,160												
	-	(3)															
					54,181 331,979												
				•	529,709 197,730												
	\$	- 52,131 - -	\$ 386,160 (1) - (2) 52,131 (3) - (3) - (4) 2,050 (5)	- (2) 52,131 (3) - (3) - (4)	- (2) \$ 52,131 (3) - (3) - (4)	- (2) \$ 386,160 52,131 (3) - (3) - (4) 2,050 (5) 54,181 331,979 529,709	$\begin{array}{c} - (2) \\ 52,131 \\ (3) \\ - (3) \\ - (4) \\ \hline 2,050 \\ (5) \\ \hline 529,709 \\ \hline 529,709 \\ \hline \end{array}$	- (2) \$ 386,160 52,131 (3) - (3) - (4) 2,050 (5) 54,181 - 331,979	$\begin{array}{c} - (2) \\ 52,131 \\ (3) \\ - (3) \\ - (4) \\ \hline 2,050 \\ (5) \\ \hline 331,979 \\ \end{array}$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccc} - & (2) & \$ & 386,160 \\ & 52,131 & (3) & & & \\ & - & (3) & & & \\ & - & (4) & & & \\ & & & & & \\ \hline & & & & & \\ & & & &$						

Continued

Notes:

Continued

- 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 Clty 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)	\$ 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 (<u>www.bea.gov</u>).

3) Rochester City School District (<u>www.rcsdk12.org</u>).
4) <u>www.labor.state.ny.us</u> (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

		2	2013		2004				
			Percentage			Percentage			
	Employees		of Total	Employees		of Total			
	(1)	Rank	Employment (2)	(1)	Rank	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: <u>www.labor.state.ny.us</u> 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	3,406.5	3,354.6	3,343.4	3,329.9	3,355.8	3,298.4	3,244.6	3,229.5	3,120.4	3,109.0
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	9,067	8,867	8,809	9,062	9,036	9,189	8,893	8,380	7,975	8,068

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

										Estimated
	2004	2005	2006	2007	2008	2009	2010	2011	2012	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 that a type of compliance with a type of compliance 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	D 00 MV 00 0000	44.050	¢
CDBG - R	B-09-MY-36-0003	14,253	\$ 686,000
Energy Conservation Block Grant COPS Hiring Recovery Program	DE-EE0000964	81.128	565,526
Justice Assistance Grant	2009RJWX0064 2009-SB-B9-0612	16.710	2,188,328
DOT Grants	2009-30-09-0012	16.804 20.205	418,727
DOT Grants (Pass thru NYS)			196,700
University Ave. Artwalk		20.205 20.205	72,291 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
		22.0.0	101,221

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

	Grant Number	CFDA Number	Amount
		Harriber	Anount
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 PASS THROUGH FROM RIT:	G240300012.1214	16,590	26,938
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)	0187104089	84.287	651,386
21st Century Grant RASA IV Year 5	0107104009	04.207	051,000
U.S. DEPARTMENT OF AGRICULTURE:	36-079500	10.559	248,232
Summer Food Service (PASS THROUGH - NYS DOE)	30-079500	10.558	2+0,232
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.
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:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?Significant deficiency(ies) identified?	<u>X</u> Yes Yes	No X_None Reported
Noncompliance material to financial statements noted?	Yes	<u>X</u> No
Federal Awards		
Internal control over major programs:		
Material weakness(es) identified?Significant deficiency(ies) identified?	Yes Yes	<u>X</u> No <u>X</u> None Reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes	<u>X</u> No
Identification of major programs:		
<u>Name of Federal Programs or Clusters</u> Community Development Block Grant (including ARRA) Public Safety Partnership and Community	CFDA Number 14.218/14.253	
Policing Grants (including ARRA) JAG Program Cluster (including ARRA)	16.710 16.738/16.804	L
Dollar threshold used to distinguish between type A and type B programs (3% of total federal awards)	<u>\$ 1,211,730</u>	
Auditee qualified as low-risk auditee?	<u>X</u> Yes	No

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.

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

I. FINANCIAL STATEMENT FINDINGS

SIGNFICANT 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

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 Comptrolier 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 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 deficiencies, in internal control over compliance is a deficiencies, in internal control over compliance 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 deficiencies, in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance is a deficiency, or a combination 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.

Fred Maxick CAAS, 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

Total

\$ 3,292,453

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.

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

I. SUMMARY OF AUDITOR'S RESULTS

Internal control over State Transportation Assistance Expended:

 Material weakness(es) identified? Significant deficiency(ies) identified? 	YesX_No YesX_No	
Type of auditor's report issued on compliance for programs tested:	Unmodified	

Identification of State Transportation Assistance Programs tested:

<u>Name of Project</u> Consolidated Street and Highway Improvements

II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs related to State Transportation Assistance Expended noted in the current year.

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