THE CITY OF ROCHESTER, NEW YORK

Comprehensive Annual Financial Report
Year Ended June 30, 2014

Prepared by:
Department of Finance

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ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014

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Introductory Section

City of Rochester

City Hall Room 308A, 30 Church Street
Rochester, New York 14614-1290
www.cityofrochester.gov

Lovely A. Warren
Mayor

December 18, 2014

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, 2014. 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 thirty 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 2014 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,

Lovely A. Warren
Mayor

City of Rochester

Department of Finance
City Hall Room 109A, 30 Church Street
Rochester, New York 14614
www.cityofrochester.gov

Charles A. Benincasa
Director of Finance

December 18, 2014

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, 2014. 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, 2014. 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 65,926 real estate parcels, and serviced by 532 miles of public ways. Rochester is served by three bus lines; the New York Thruway; and seven major airlines 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 and a legally separate land bank corporation which is reported separately within the City's financial statements. Additional information on these legally separate entities can be found in the notes to the financial statements (See Note I.A).

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

LOCAL ECONOMY

Rochester's Industrial History

Rochester is located in western New York State where the Genesee River meets the south shore of Lake Ontario. The river drops in elevation as it flows through Rochester, creating rapids and waterfalls that were used to power grist mills and saw mills as early as the late 18th century. The combination of agriculture and water power established the city's early history as a grain processing center.

Rochester benefited substantially as construction of the Erie Canal (1817 to 1825) provided farmers and grain processors in Western New York with low-cost access to markets in New York City and the newly-settled states to the west. Grain processing expanded (and local grain cultivation declined) as western grain began to flow into Lake Erie and Lake Ontario ports on its way to eastern markets. Buffalo and Rochester became profitable places to mill the grain into flour before it was shipped on by canal or later, by rail. Rochester grew rapidly, adding 75% to its population between 1830 and 1850.

As local grain cultivation declined, Rochester area farmers shifted to a profitable niche market, growing fresh flowers for New York City and Boston, and selling flower and vegetable seeds across the country. The legacy of Rochester's "Flower City" years lives on in the annual Lilac Festival.

The Civil War spurred the industrial growth of New York State, including Rochester. While an explosion of rail construction during the 1850s and 1860s diminished the economic value of the Erie Canal, Rochester became a major stop on the new transportation corridors. George Eastman's inventions of the late 19th century resulted in the formation of the Eastman Kodak Company in Rochester. By the early 20th century, Kodak had become a key engine of growth in Rochester with peak employment of over 60,000 in 1982. Entrepreneurs of the same era founded other companies with continued name recognition-Bausch & Lomb, the Gannett Company and Hickey-Freeman, as examples.

Another Rochester success story was the Haloid Corporation. Chester Carlson's invention of xerography put the renamed Xerox Corporation at the forefront of innovation. Although Xerox moved its corporate headquarters to Stamford, Connecticut in 1978, the document company still employs 5,617 people locally.

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.

Rochester's Transformation to a 21st Century Economy

The dominant feature of Rochester's economy during the previous 30 years has been the decline of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers-particularly Kodak-employing highly skilled production workers, 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). Manifesting the shift to a services based workforce, the University of Rochester has grown to be the largest local employer with 21,881 jobs.

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 Rochester MSA 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, and then decimated the firm's principal markets beginning in 2000 as digital imaging nearly replaced film.

Profits continued to decline through the 2000's even as Kodak conducted massive layoffs and sale of facilities and business components. Eastman Kodak filed for Chapter 11 Bankruptcy in January 2012. Kodak emerged in September 2013, reduced in size and refocused on corporate customers and the commercial printing and packaging businesses. Key to Kodak's restructuring was the sale of R&D patents for more than $500 million to a technology consortium and sale of Eastman Business Park power plant facility to Illinois based Recycled Energy Development Inc. Kodak celebrated its return to the New York Stock Exchange in November 2013, listed as KOOK.

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. Attraction efforts continue to bring new businesses to Eastman Business Park and its existing vacant parcels. (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 work within the Park.

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, 2014, the Department of Neighborhood and Business Development assisted 104 buinesses; jobs retained and created were 810 and 676, respectively. Total business investment was $91.4 million.

The unemployment rate for the Rochester area as of June 2014 was 5.8% compared to the national rate of 6.1% and the State rate of 6.6%.

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-10). 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 its efforts to attract new business development. New York State also awarded the City $3 million through the 2014-15 budget to oversee the development of a new 60,000 square foot Bioscience Manufacturing Center at EBP by developer FermCo Inc. The development is expected to draw a total investment of $30 million and employment of over 100.

Midtown Redevelopment Project: This is a redevelopment partnership that will position Rochester for its future by significantly reshaping 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. Construction is underway and is slated to be complete in 2015.

The City of Rochester announced in November 2011 the details of a long term lease agreement with Windstream Corporation that brought hundreds of employees to the site and created approximately 200 construction jobs. The existing structure of the former Seneca Building was reused, developed and owned by the Pike Development Company. Under the terms of the deal, Windstream signed 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 began in March 2012 and Windstream moved into the facility in August, 2013. Additional site development will generate significant construction work 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 are responsible for 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. With this final piece of public funding in place, the project is under construction and will be complete in early 2015. 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 comer 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.

Bausch and Lomb: Valeant Pharmaceuticals finalized the acquisition of Bausch and Lomb in August 2013. In a statement released by Valeant on July 29, 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 modem office tower headquarters that became a centerpiece for the downtown business district. Subsequent to the acquisition of Bausch and Lomb, Valeant marketed the tower as it transitioned its workforce to its N. Goodman Street facility. Valeant completed the sale in 2014 of the tower property to Buckingham Properties.

When Valeant acquired Bausch and Lomb, the company announced plans to lay off 10 to 12% of the Bausch and Lomb workforce worldwide, including as many as 1,200 local jobs. However, local leaders were successful in convincing Valeant to reconsider locating the production of a new line of contact lenses in Rochester, originally planned for Ireland. The production will take place in Rochester thanks to grants from Rochester Gas and Electric. The result is the retention of over 1,000 jobs, and the creation of 100.

Manufacturing Communities Partnership (IMCP): In May 2014, the New York Finger Lakes Region, led by the City of Rochester, received a designation as a "Manufacturing Community" by the U.S. Department of Commerce under the Investing in Manufacturing Communities Partnership (IMCP). The Rochester region is one of only 12 regions nationwide to receive this designation, following a stringent and competitive process. The designation offers selected communities preferential consideration for up to $1.3 billion in federal dollars and as assistance from 10 federal agencies.

Quality of Life

In 2011, Rochester received numerous national accolades. The Atlantic ranked Rochester as one of the top 35 innovation hubs in the country. Business Facilities the Location Advisor lists Rochester as a top region for job growth and the third best food processing region in the United States. Brookings rated Rochester as one of the top 20 economies in the nation. Forbes Magazine lists Rochester as the number one best place to buy a home. In 2012, Rochester was rated the 5th best city for families by Kiplinger. In 2014, CNN Money listed Rochester as the second least stressed out city in the US, citing short commutes and extensive leisure options.

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 Nighthawks of the National Lacrosse League {indoor}; the Rochester Rattlers of the Major Lacrosse League {outdoor}; the Rochester Razorsharks of the American Basketball League; the Rochester Raging Rhinos of the United Soccer League; and the Rochester Lancers indoor soccer league, which began playing at the Blue Cross Arena/War Memorial in November 2011. The Rochester area also recently added the Rochester Dragons, a professional ultimate disc team that plays at Webster Schroeder High School.

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, two PGAs, the Senior PGA and the Ryder Cup. Until 2013, Locust Hill Country Club hosted an annual LPGA tournament, which in recent years had been the Wegmans LPGA Championship.

Annual Festivals

Spring marks the beginning of Rochester's unique festival season. Nearly every weekend from May to August features one or more major event that attracts area residents and visitors to enjoy the arts, sounds, and bustling activity filling the city's most beloved neighborhoods and parks. Many of these annual festivals feature international talent and attract visitors from around the world e.g. the Lilac Festival in May, the Rochester International Jazz Fest in June, the Com Hill Arts Festival in July, the Park Avenue Festival in August, and the Memorial Art Gallery's Clothesline Festival, Greentopia Festival and the Rochester Fringe Festival in September.

Originally established in 2002, the Xerox Rochester International Jazz Festival has emerged as one of the community's showcase events. In 2014, the 13th annual festival set attendance records as it presented more than 325 concerts at 20 venues. With a continued emphasis on international breadth, the festival featured musicians from 19 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 196,000 people to the performances.

Greentopia succeeded in continuing to provide the Finger Lakes Region's only festival dedicated to all things "green," fostering greater community understanding about the importance of developing sustainable communities. The third annual Greentopia Festival was implemented as planned and proved a major success. The 2013 festival expanded to a six-day event that was comprised of the Futures Summit, Film, Music, Design and two-day EcoFest in the High Falls Historic District. Greentopia attendance increased to more than 25,000 throughout the six-day festival.

In 2013, the second First Niagara Fringe Festival expanded to ten days and included nearly two full weekends. More than 50,000 attended 240 ticketed and 120 free performances at 25 venues throughout the event. The Fringe is an all-out, no-holds-barred, multi-disciplinary visual and performing arts festival. The Fringe features international, national and local artists. It showcases theatre, comedy, dance, music, visual arts, children's entertainment, physical theatre, musical theatre, opera, poetry, literature and experiences that have yet to even be imagined! The Rochester Fringe Festival is now one of the most attended fringe festivals in the United States.

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), and exports more than the 40 lowest exporting States combined.

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 June 2014, the University was responsible for 21,881 jobs. 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 $3 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 college's 2008 master plan called for new technology, additional facilities more jobs, new research equipment and marketing of the medical center. A key building component of the plan included the $60 million, 200,000-square-foot Saunders Research Building that was completed in 2011. 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 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 with assistance from the City of Rochester, the County of Monroe, and other federal and state funding sources. The project is under construction and is expected to be completed in early 2015.

Waterfront Development

Port of Rochester. The City has begun construction of 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 was completed in August 2014 in advance of the college's fall semester.

CityGate. Currently under construction by Anthony J Costello & Son Development is a 42 acre mixed use development project located at the southeast comer of the intersection of East Henrietta Rd. and Westfall Rd. The project was designed to take a used parcel in a vibrant area and turn it into an enjoyable area for the community. The mixed use development was planned to be a blend of shopping and dining as well as encourage living and staying in the city. The plan includes: a new Costco Wholesale store; a 150 room hotel; 300 loft-style apartments overlooking Erie Canal; a 90,000 sq. ft. parking garage; and a satellite transit station. The site plan also incorporates: commercial space; office space; and a street designated for retail and restaurants. The project is expected to create 980 permanent jobs and approximately 1,500 construction jobs. The Costco store Is planned to open in 2015.

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 500 rental units have come online and 58 owner-occupied units created. Over $500 million in Public-Private investment has been undertaken in Center City since 2006. Approximately $651 million in investment is planned or underway. The Center City has a weekday workforce of 50,000 and over 6,000 people are now living downtown. It is anticipated that over 600 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.

111 East Ave – The project consisted of the renovation of an existing apartment complex in the popular East End district to update unit interiors and building infrastructure. Construction was completed in Fall of 2013.

250 East Ave – The project consisted 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 was completed 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 of 5 new townhomes in the historic Grove Place Neighborhood. The cost for this project was approximately $1.6 million and was completed in summer 2013.

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 occupied the first two floors and brought 335 employees to its new downtown location in August 2013.

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

Alexandrian Apartments – Renovation and restoration of a historic apartment complex on Alexander Street. Adjacent to the popular East End nightlife attractions, the rebranded building will build upon other recent investments in the up and coming district. Construction began in Fa112013 and is anticipated to be complete by end of 2014.

Temple Building – Currently under construction, The $2.6 million project continues previous redevelopment investment in the historic building by converting an additional 4 floors of the building for 30 loft apartments.

Alexander Park Phase III – Additional planned development of vacant land at the former Genesee Hospital site for a mix of uses including 100 units of housing, office space and retail.

Hart Local Grocers – Redevelopment of a building in the popular East End District for use as a medium scale grocery store focusing on local and organic offerings. This will be the first full service downtown grocery store since Wegman's closed in the 1990's. The store opened in summer 2014.

YWCA – Currently under construction, $4.9 million project will add 14 affordable housing units to the downtown facility's current offerings.

Bevier Building – The redevelopment of a historic academic building for 15 apartments and first floor commercial office space by Syracuse based Franklin Properties. The $4.2 million project will involve two affordable units.

Hive @155 – The project involves the adaptive reuse of a building in the historic St. Paul District further building on the 'Hive' rebranding of the neighborhood. The $6.8 million project will feature efficient floor plans, competitive rents aimed at young professionals, and collaborative community work space amenities.

Mills III – Conversion of a historic building adjacent to Mills I and II sites for an additional 14 units of affordable housing. Construction is expected to begin in early 2015.

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 has completed reconstruction of the underground service tunnel entrance and garage rehabilitation and is currently undertaking the infrastructure phase of the project, which consists of, utilities, new streets and open space improvements. The cost for the public infrastructure phase is over $40 million and is expected to be completed by the end of 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 – The 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, and is in discussions with a developer for redevelopment of the building in 2014.

RGRTA Transit Center – The regional transit authority began construction of a $50 million downtown transit center in November 2012. RGRTA customer bus transfers on East Main Street between St. Paul Street and Clinton Avenue are transferred to the new enclosed facility offering 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 Transit Center opened November, 2014.

Sibley Building – The former department store building includes over 1 million square feet and is primarily vacant. The current tenants include the Monroe Community College (in 2012 the College renewed a 5 year lease at the premises) 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. Total redevelopment cost will be approximately $200 million for retail and commercial uses, market rate and affordable senior housing. The project will follow a phased approach and has already completed predevelopment activities including Improvements to building mechanicals, visual enhancements to lobbies and entranceways, and the build out of space for a new Rochester Police Department downtown substation. Leasing of the first phase of residential units is expected to begin in 2015.

Hilton Garden Inn – DHD Ventures purchased several historic properties at the corner of Stone and E. Main Street and have begun renovations of the buildings for a new 107 room Hilton Garden Inn. The investment for the project is approximately $16 million, and the project is expected to be completed in early 2015.

Charlotte Street Parcel – Developers have expressed interest in the 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. The site needs remediation and is a prime target for Brownfield grant funding.

Court Street Apartments – Adjacent to the popular Dinosaur BBQ restaurant. local developers propose to construct a new mixed use development over a portion of the former subway bed.

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. Construction is expected to begin in early 2015.

ROC City Skate Park – This project involves a proposed new downtown skate park that has tremendous grassroots support. The proposed location is currently Crossroads Park along the downtown riverfront, but other options are being considered. Fundraising and design activities are currently underway.

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. Construction is slated to begin in Spring 2015.

St. Paul and N. Clinton Two-Way Conversion- Redesign of traffic flow will enhance navigability of downtown for visitors and residents alike, as well as allow for bus traffic to more efficiently access the new RGRTA transit center. Phase I will be completed by fall 2014 and involves conversion of the portions of the streets north of Main St. Full completion is expected in 2015.

Inner Loop East – The City was awarded $17.7 million in federal transportation funding in late 2013 for 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. Considered by many to be a barrier separating 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. Construction began fall 2014.

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 $335.9 million, or 68% 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 06/30/15
Residential Neighborhoods	$335.9
Business Development	86.4
Urban Renewal Completion	16.2
Planning, Management and Administration	58.6
TOTAL	$497.1

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 2014-15 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 $13.3 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 ($1,605,000), 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 ($10,599,156), 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 ($454,522).

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 2001, this initiative has addressed more than 600 vacant houses through rehabilitation and reoccupation by first time homebuyers.

LONG-TERM FINANCIAL PLANNING

The City has historically been able to maintain a stable, unassigned fund balance in the general fund at approximately one percent of total general fund revenues. That balance as of June 30,2014 was $5,152,000.

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% for municipal purposes and 3% 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, 2013. This was the thirtieth 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 2014 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 their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Charles A. Benincasa
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, 2013

Executive Director/CEO

CITY OF ROCHESTER, NEW YORK

MAYOR AND CITY COUNCIL OFFICIALS

June 30, 2014

Lovely A. Warren, Mayor

Loretta C. Scott, President

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

◊◊◊

Carolee A. Conklin (At-Large)

Matt Haag (At-Large)

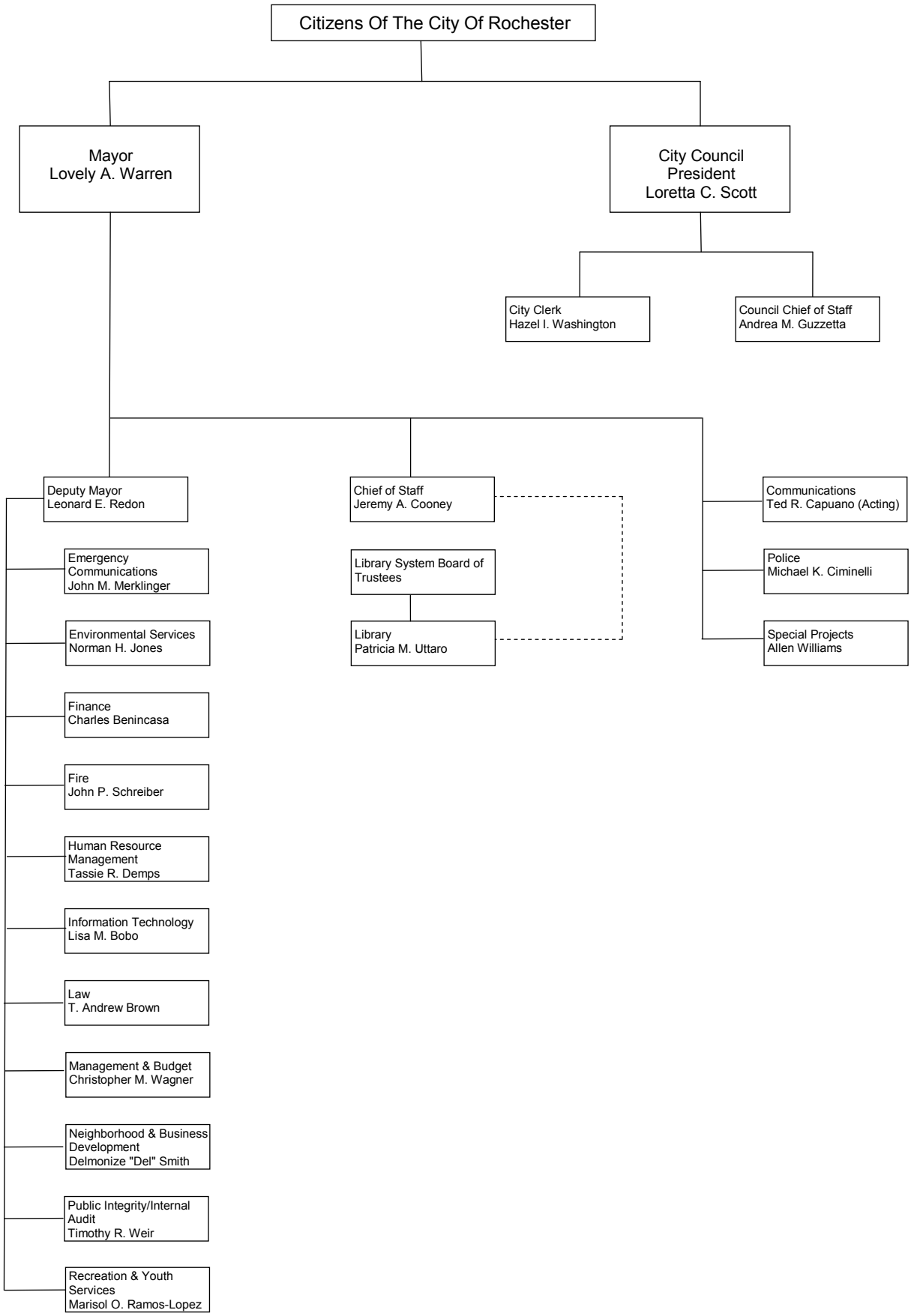
Adam C. McFadden (South District)

Jacklyn Ortiz (At-Large)

Carla M. Palumbo (Northwest District)

Michael A. Patterson (Northeast District)

Elaine M. Spaull (East District)


Citizens Of The City Of Rochester
Mayor
Lovely A. Warren
City Council
President
Loretta C. Scott
City Clerk
Hazel I. Washington
Council Chief of Staff
Andrea M. Guzzetta
Deputy Mayor
Leonard E. Redon
Chief of Staff
Jeremy A. Cooney
Communications
Ted R. Capuano (Acting)
Emergency Communications
John M. Merklinger
Library System Board of Trustees
Police
Michael K. Ciminelli
Environmental Services
Norman H. Jones
Library
Patricia M. Uttaro
Special Projects
Allen Williams
Finance
Charles Benincasa
Fire
John P. Schreiber
Human Resource Management
Tassie R. Demps
Information Technology
Lisa M. Bobo
Law
T. Andrew Brown
Management & Budget
Christopher M. Wagner
Neighborhood & Business Development
Delmonize "Del" Smith
Public Integrity/Internal Audit
Timothy R. Weir
Recreation & Youth Services
Marisol O. Ramos-Lopez

CITY OF ROCHESTER, NEW YORK

ORGANIZATIONAL UNITS AND OFFICIALS

June 30, 2014

Mayor ..... Lovely A. Warren

Deputy Mayor ..... Leonard E. Redon

Chief of Staff ..... Jeremy A. Cooney

City Clerk ..... Hazel I. Washington

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

Management & Budget ..... Christopher M. Wagner

Communications ..... Ted R. Capuano (Acting)

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

Public Integrity/Internal Audit ..... Timothy Weir

Special Projects ..... Allen Williams

Emergency Communications ..... John M. Merklinger

Environmental Services ..... Norman H. Jones

Finance ..... Charles A. Benincasa

Fire ..... John Schreiber

Information Technology ..... Lisa M. Bobo

Law ..... T. Andrew Brown

Library ..... Patricia M. Uttaro

Neighborhood & Business Development ..... Delmonize “Del” Smith

Police ..... Michael K. Ciminelli

Recreation & Youth Services ..... Marisol O. Ramos-Lopez

FINANCIAL SECTION

FreedMaxick CPAs, P.C.

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 units, 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, 2014, 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 units, each major fund, and the aggregate remaining fund information of the City of Rochester, New York, as of June 30, 2014, 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.

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 information and the schedule of funding progress other post employment benefits on pages 21-32, 69-71 and 72 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*, the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, and the other information, such as 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, such as 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 18, 2014 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 18, 2014

As management of the City of Rochester, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2014. In this section, all amounts are expressed in thousands of dollars, unless otherwise indicated.

For the management discussion and analysis for the Rochester City School District please see the separately issued Comprehensive Annual Financial Report of the District for the year ended June 30, 2014.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities at the close of the most recent fiscal year by $722,304 (net position).
- The City's total net position decreased by $29,129.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $221,808, a decrease of $36,202 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $5,152.

The City's total outstanding debt increased by $9,530 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 two legally separate component units, the Rochester City School District and the Land Bank. Financial information for the *component units* 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, 2014, which includes the General Fund as well as certain special revenue and enterprise funds, is reported in the *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 $722,304 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental activities		Business-type activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Current and other assets	$ 417,336	$ 394,796	$ 77,964	$ 70,186	$ 495,300	$ 464,982
Capital assets	691,529	675,603	290,599	274,545	982,128	950,148
Total assets	1,108,865	1,070,399	368,563	344,731	1,477,428	1,415,130
Long-term liabilities outstanding	446,540	414,796	99,673	104,972	546,213	519,768
Other liabilities	174,042	121,597	34,869	22,332	208,911	143,929
Total liabilities	620,582	536,393	134,542	127,304	755,124	663,697
Net position:						
Net investment in capital assets	597,794	547,613	211,529	187,190	809,323	734,803
Restricted	120,328	168,975	16,722	18,456	137,050	187,431
Unrestricted (deficit)	(229,839)	(182,582)	5,770	11,781	(224,069)	(170,801)
Total net position	$ 488,283	$ 534,006	$234,021	$217,427	$ 722,304	$ 751,433

The City's total net position decreased by $29,129, as a result of a decrease of $45,753 in the net position of governmental activities and an increase of $16,594 in the net position of business-type activities. A portion of the City's net position (24.9 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 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 decreases by $45,723. Key components of this change are summarized as follows:

City of Rochester's Changes in Net Position

(000's Omitted)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 122,624	$ 98,399	$ 77,800	$ 78,265	$ 200,424	$ 176,664
Operating grants and contributions	38,495	70,831	115	-	38,610	70,831
Capital grants and contributions	19,769	30,137	20,578	-	40,347	30,137
General revenues:						
Property taxes	148,913	147,218	2,224	1,998	151,137	149,216
Sales and other taxes	160,603	153,772	905	905	161,508	154,677
Governmental aid	104,821	120,271	433	7	105,254	120,278
Other	6,246	12,850	1,254	1,148	7,500	13,998
Total revenues	601,471	633,478	103,309	82,323	704,780	715,801
Expenses:						
General government	154,138	119,387	-	-	154,138	119,387
Police	143,880	143,722	-	-	143,880	143,722
Fire	78,226	82,560	-	-	78,226	82,560
Emergency communications	22,853	23,218	-	-	22,853	23,218
Transportation	8,982	4,094	-	-	8,982	4,094
Environmental services	45,366	43,419	-	-	45,366	43,419
Recreation and youth services	18,069	18,818	-	-	18,069	18,818
Library	13,878	13,958	-	-	13,878	13,958
Neighborhood business development	43,480	41,888	-	-	43,480	41,888
Interest on long term debt	4,596	3,664	-	-	4,596	3,664
Education	119,100	119,100	-	-	119,100	119,100
Water	-	-	31,348	33,206	31,348	33,206
War memorial	-	-	2,526	2,696	2,526	2,696
Parking	-	-	17,039	7,580	17,039	7,580
Cemetery	-	-	2,679	3,016	2,679	3,016
Public market	-	-	899	789	899	789
Refuse	-	-	26,850	27,383	26,850	27,383
Total expenses	652,568	613,828	81,341	74,670	733,909	688,498
Excess (deficiencies) of revenues over expenses	(51,097)	19,650	21,968	7,653	(29,129)	27,303
Transfers	5,374	5,374	(5,374)	(5,374)	-	-
Adjustment (See note I. G. 8)	-	(25,286)	-	-	-	(25,286)
Increase (decrease) in net assets	(45,723)	(262)	16,594	2,279	(29,129)	2,017
Net position - beginning (as restated)	534,006	534,268	217,427	215,148	751,433	749,416
Net position - ending	$ 488,283	$ 534,006	$ 234,021	$ 217,427	$ 722,304	$ 751,433

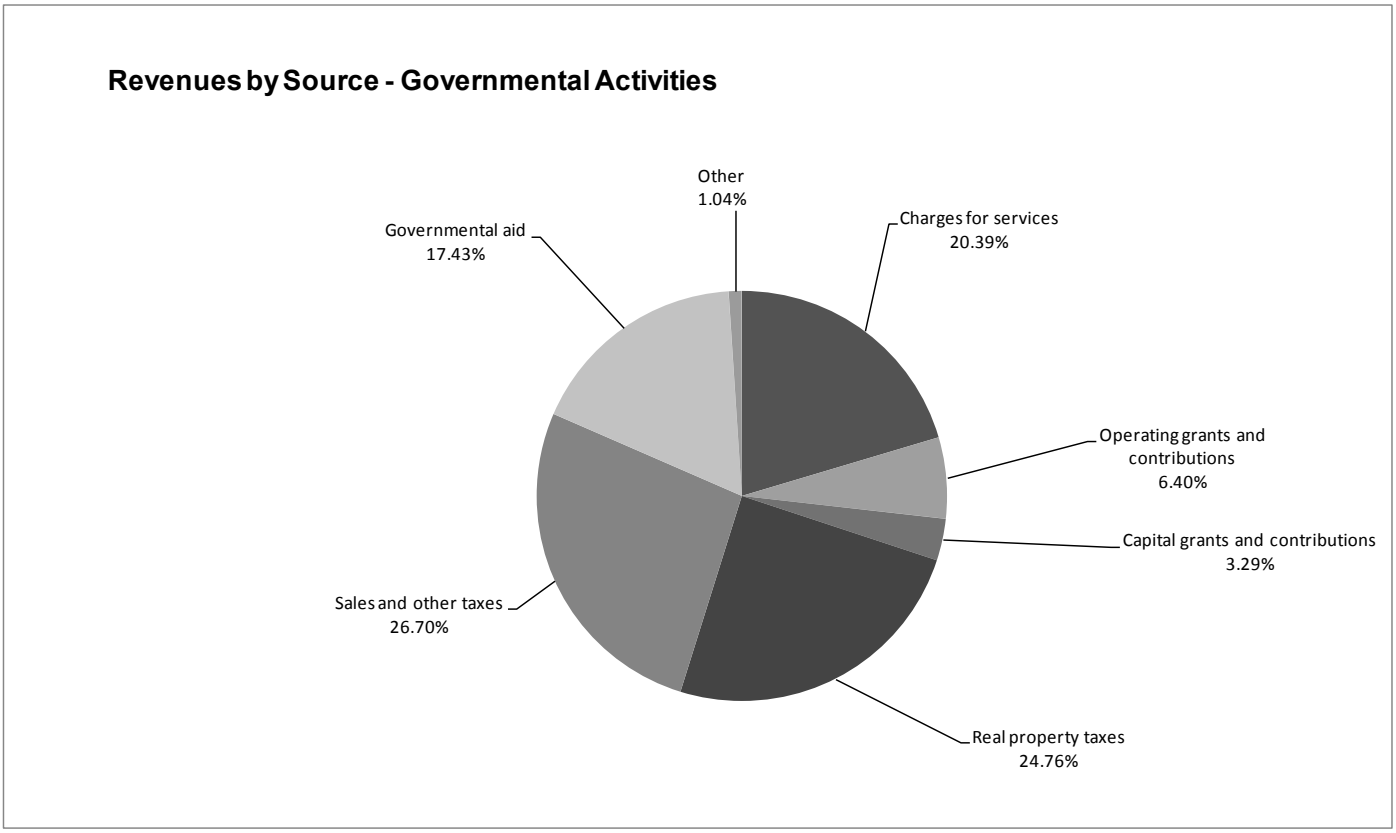
Governmental activities revenue highlights.

The major factors contributing to the overall revenue decrease of $32,007 were:

- Operating grants and contributions decreased $32,336 due primarily to a decrease in reimbursable spending under various state and federal grants;
- Governmental aid decreased $15,450 primarily due to a $15,469 decrease in NY State aid and a $27 decrease in Federal aid; and
- Capital grants and contributions decreased by $10,368, principally because of a $16,691 decrease in general government capital funding, offset by a $6,625 increase in environmental services capital funding; and
- Various other revenue sources decreased $6,604, due to an $8,001 decrease in miscellaneous revenues, offset by a $1,397 increase in investment earnings.

The above decreases of $64,758 were offset by the following increases which total $32,751:

- Charges for services increased $24,225, primarily due to a $ 29,462 increase in the internal service fund offset by a decrease of $4,491 in charges for Police, as well as various other increases and decreases ;
- Sales, and other taxes increased $6,831, due to a $4,142 increase in Sales taxes as well as a $6,853 increase in Payment in-lieu of tax, primarily due to a $6,488 increase in COMIDA revenues, offset by a $4,164 decrease in other taxes; and
- Property tax revenue increased $1,695.



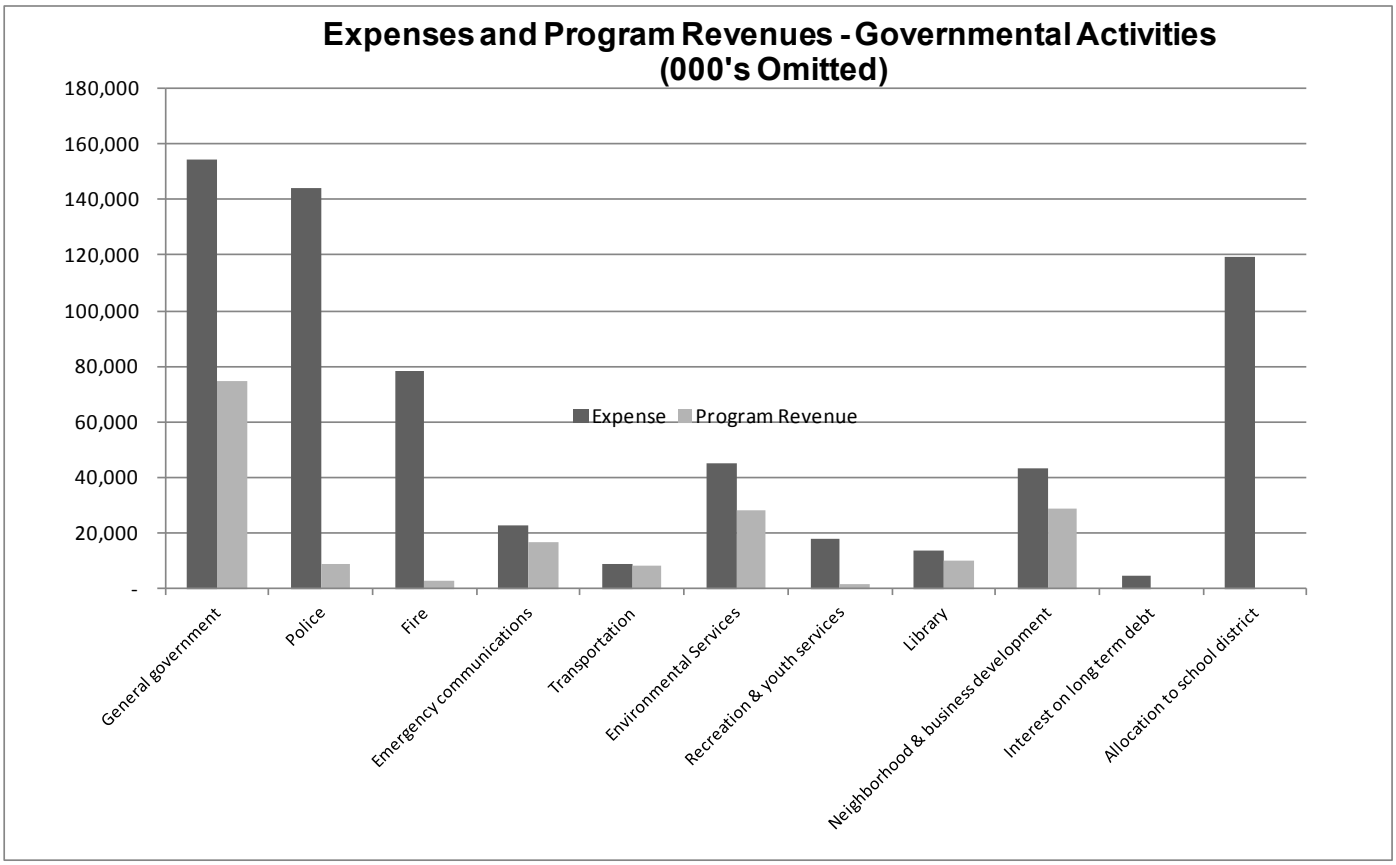
Governmental activities expense highlights.

The major factors contributing to an overall increase in general government expenses of $38,740 were as follows:

- General government expenses increased $34,751 primarily due to a $28,216 increase in Internal Service, as well as increases in various other projects;
- Transportation expenses increased $4,888;
- Environmental services expenses increased $1,947 primarily due to a $ 1,174 increase in architectural and design services, as well as a $668 increase in transportation construction;
- Neighborhood and business development expenses increased $1,592;
- Interest on long term debt increased $932; and
- Police expenses increased $158.

The above increases which total $44,268 were partially offset by the below decreases of $5,528 as follows:

- Fire expenses decreased $4,334 mainly due to a $2, 521 decrease in fringe benefit costs as well as various other decreases;
- Recreation and youth services expenses decreased by $749;
- Emergency communications expenses decreased $365; and
- Library expenses decreased $80.
-



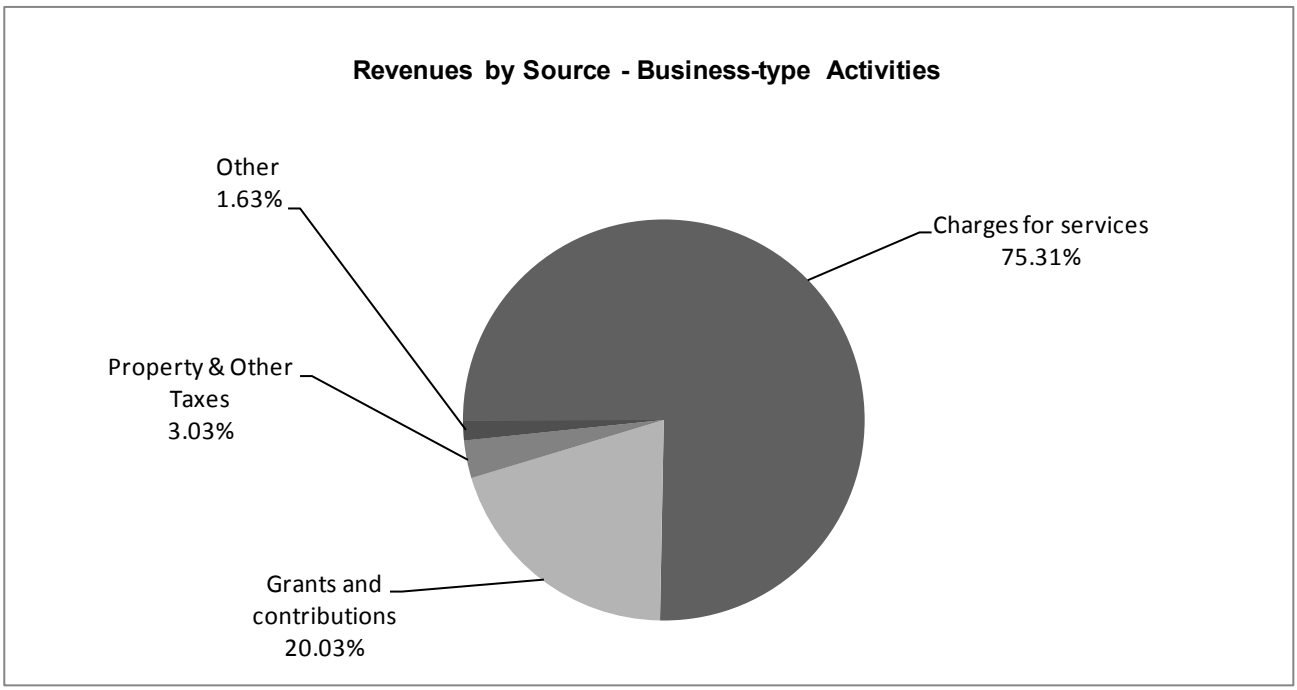
Business-type activities revenue highlights.

Revenues for business-type activities showed an overall increase of $20,986.

- Capital grants and contributions increased by $20,578 primarily due to general fund contributions for the restoration of the Midtown Garage, as well as contributions due to the dissolution of the Cultural District;
- Governmental aid increased by $426;
- Property taxes increased by $226;
- Operating grants and contributions increased by $115; and
- Other revenues increased by $106.

These revenue increases of $21,451 were partially offset by decreases amounting to $465 in the following categories:

- Charges for services by business-type funds decreased by $465.



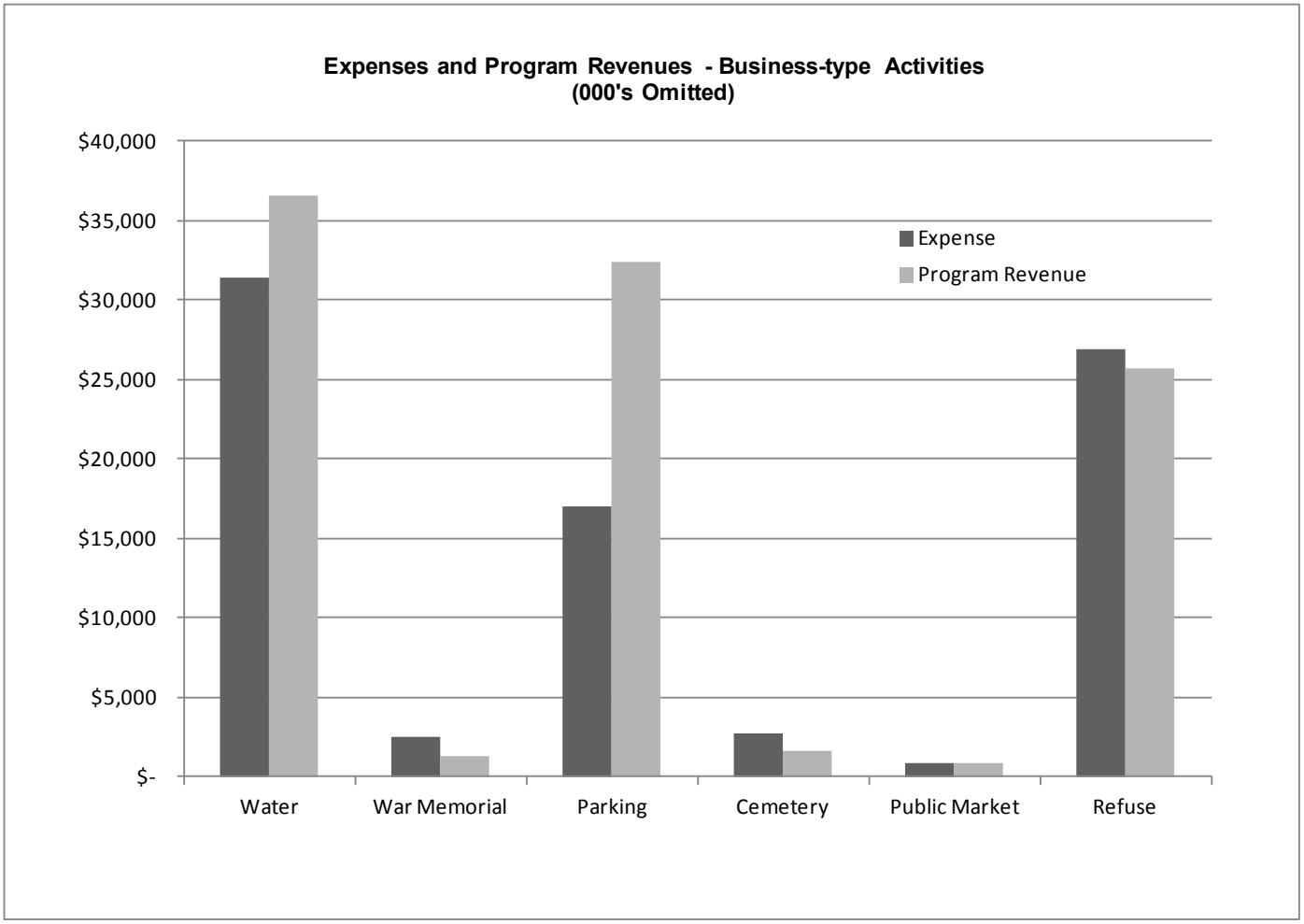
Business-type activities expense highlights.

The net increase in business-type activities expenses were $6,671:

- Parking fund expenses increased by $9,459 principally due to an increase in non-capitalized repairs and maintenance; and
- Public market fund expenses increased by $110.

The above increases which total $9,569 were partially offset by decreases of $2,898 as follows:

- Water fund expenses decreased by $1,858;
- Refuse fund expenses decreased by $533;
- Cemetery fund expenses decreased by $337; and
- War memorial fund expenses decreased by $170.



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 $221,808, a decrease of $36,202 in comparison with the prior year. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to $17,876. The committed portion of fund balance is reported in the amount of $143,595 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 $55,185 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 $5,152 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 $27,923, unassigned fund balance was $5,152, and total fund balance reached was $80,910. 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 $33,075. The fund balance of the City's general fund increased by $12,277 during the current fiscal year.

Debt service fund. The debt service fund has a total fund balance of $24,304, of which $8,689 is restricted and $15,615 is assigned for the payment of debt service. The fund balance decreased by $2,630 during the current fiscal year. Transfers of ($3,951) were made to operating funds to meet current debt service requirements. The debt service fund had $403 use of money and property earnings and $481 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 $73,049, of this $72,372 was committed and $677 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 $9,091.

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 $10,271.

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 $234,021. The change in net position between 2013 and 2014, which totaled a $16,594 increase were as follows: the Water fund increased by $1,050, the Parking fund increased by $15,413, which included $9,560 due to the capital contribution from the dissolution of the Cultural Center Commission, the War Memorial fund increased by $602, the Refuse fund decreased by $1,165, the Cemetery fund increased by $270, and the Public Market fund increased by $424.

Unrestricted net position of the proprietary funds, which totaled $5,760 at year end, breakdown as follows: Water — $4,153, Parking — $5,930, War Memorial — $186, Refuse — ($3,943), Cemetery — ($796), and Public Market — $240.

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 $34,569, an increase of $6,550 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 d epartment 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, 2014, amounted to $982,128 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

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

	Governmental activities		Business-type activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Land	$ 25,200	$ 25,043	$ 11,207	$ 10,107	$ 36,407	$ 35,150
Buildings	140,263	139,627	118,223	104,817	258,486	244,444
Improvements other than buildings	34,948	36,049	151,060	144,887	186,008	180,936
Machinery and equipment	37,528	42,890	8,663	9,954	46,191	52,844
Infrastructure	449,511	430,962	-	-	449,511	430,962
Construction in progress	4,079	1,032	1,446	4,780	5,525	5,812
Total	$ 691,529	$ 675,603	$ 290,599	$ 274,545	$ 982,128	$ 950,148

Long-term debt. On June 30, 2014 the City's outstanding debt was $236,273. This was an increase of $9,530 over the prior year. An increase of $4,191 in the governmental activities funds and an increase of $5,339 in the business-type activities funds.

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

	Governmental activities		Business-type activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
General obligation bonds	$ 112,686	$ 130,780	$ 78,000	$ 87,291	$ 190,686	$ 218,071
Bond anticipation notes	28,581	6,296	17,006	2,376	45,587	8,672
Total	$ 141,267	$ 137,076	$ 95,006	$ 89,667	$ 236,273	$ 226,743

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 $532 million as of the fiscal year end an amount that was $208 million above the combined City and School District's net indebtedness.

More detailed information on t he City's capital assets and l ong-term debt activity is provided in the Notes to the Financial Statements under I.G.3 and 6 and III.C, D and E.

Economic Factors

The dominant feature of Rochester's economy during the previous 30 years has been the decline of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers—particularly Kodak—employing highly skilled production workers, 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 filed for Chapter 11 Bankruptcy in January 2012. Kodak emerged from bankruptcy on September 3, 2013, slimmed down and refocused on corporate customers and the commercial printing and packaging businesses. Key to Kodak's restructuring was the sale of R&D patents for more than $500 million to a technology consortium and sale of Eastman Business Park power plant facility to Illinois based Recycled Energy Development Inc. Kodak celebrated its return to the New York Stock Exchange in November 2013, listed as KODK.

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 is employed by other companies that work within the Park.

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.

Manifesting the shift to a services based workforce, the University of Rochester has grown to be the largest local employer with 21,881 jobs. 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 $3 billion in research funding over the past five years, supporting thousands of highly skilled workers.

In June 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, 2014 (000's Omitted)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School District	Land Bank
ASSETS					
Cash and cash equivalents	$ 218,513	$ 43,206	$ 261,719	$ 197,060	$ 321
Receivables (net of allowance for uncollectibles)					
Accounts	56,661	18,567	75,228	3,700	-
Taxes	18,692	-	18,692	-	-
Due from other governments	75,145	249	75,394	55,587	660
Due from component units	788	-	788	132	-
Inventory	-	-	-	23	-
Prepaid expense	3	-	3	9,099	-
Cash and cash equivalents - restricted	47,533	15,936	63,469	-	-
Due from other governments - restricted	-	6	6	-	-
Capital assets (net of accumulated depreciation)					
Land	25,200	11,207	36,407	17,440	-
Buildings	140,263	118,223	258,486	407,661	-
Machinery and equipment	37,528	8,663	46,191	13,218	-
Improvements other than buildings	34,948	151,060	186,008	-	-
Infrastructure	449,511	-	449,511	-	-
Construction in progress	4,079	1,446	5,525	134,195	-
Total Assets	1,108,864	368,563	1,477,427	838,115	981
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	-	1,943	-
Total deferred outflows of resources	-	-	-	1,943	-
LIABILITIES					
Accounts payable and other accrued liabilities	54,593	7,705	62,298	76,480	420
Accrued interest payable	1,847	1,230	3,077	4,236	-
Due to other governments	23,938	898	24,836	45,562	-
Due to component units	132	-	132	-	-
Bond anticipation notes payable	28,581	17,006	45,587	4,000	-
Unearned revenue	38,793	280	39,073	2,874	-
Interfund balances	3,267	(3,267)	-	-	-
Noncurrent liabilities:					
Due within one year	22,890	11,017	33,907	43,705	-
Due in more than one year	446,540	99,673	546,213	617,331	-
Total liabilities	620,581	134,542	755,123	794,188	420
NET POSITION					
Net investment in capital assets	597,794	211,529	809,323	226,882	-
Restricted for:					
Capital projects	85,753	13,049	98,802	-	-
Debt service	24,304	3,673	27,977	-	-
Community development	10,271	-	10,271	-	-
Unrestricted (deficit)	(229,839)	5,770	(224,069)	(181,012)	561
Total net position	$ 488,283	$ 234,021	$ 722,304	$ 45,870	$ 561

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014 (000'S Omitted)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School District	Land Bank
Primary government:									
Governmental activities:									
General government	$ 154,138	$ 69,563	$ 925	$ 4,164	$ (79,486)	$ -	$ (79,486)	$ -	$ -
Police department	143,880	6,470	1,642	908	(134,860)	-	(134,860)	-	-
Fire department	78,226	2,185	814	32	(75,195)	-	(75,195)	-	-
Emergency communications	22,853	16,474	-	-	(6,379)	-	(6,379)	-	-
Transportation	8,982	1,048	1,568	5,794	(572)	-	(572)	-	-
Environmental services	45,366	19,552	76	8,781	(16,957)	-	(16,957)	-	-
Recreation and youth services	18,069	1,196	607	44	(16,222)	-	(16,222)	-	-
Library	13,878	2,455	7,743	-	(3,680)	-	(3,680)	-	-
Neighborhood business development	43,480	3,681	25,120	46	(14,633)	-	(14,633)	-	-
Interest on long term debt	4,596	-	-	-	(4,596)	-	(4,596)	-	-
Education	119,100	-	-	-	(119,100)	-	(119,100)	-	-
Total governmental activities	652,568	122,624	38,495	19,769	(471,680)	-	(471,680)	-	-
Business-type activities:									
Water	31,348	36,579	-	-	-	5,231	5,231	-	-
Parking	17,039	11,823	-	20,578	-	15,362	15,362	-	-
War Memorial	2,526	1,342	-	-	-	(1,184)	(1,184)	-	-
Refuse	26,850	25,675	-	-	-	(1,175)	(1,175)	-	-
Cemetery	2,679	1,557	115	-	-	(1,007)	(1,007)	-	-
Public Market	899	824	-	-	-	(75)	(75)	-	-
Total business-type activities	81,341	77,800	115	20,578	-	17,152	17,152		
Total primary government	$ 733,909	$ 200,424	$ 38,610	$ 40,347	(471,680)	17,152	(454,528)	-	-
Component units:									
School District	$ 771,586	$ 1,714	$ 107,817	$ -				(662,055)	-
Land Bank	770	-	1,283	-				-	513
Total component units	$ 772,356	$ 1,714	$ 109,100	$ -				(662,055)	513
General revenues:									
Property taxes					148,913	2,224	151,137	-	-
Sales taxes					140,551	-	140,551	-	-
Payment in-lieu of tax					11,525	-	11,525	-	-
Other taxes					8,527	905	9,432	-	-
Governmental aid - (unrestricted)					104,821	433	105,254	521,683	-
Investment earnings					1,401	174	1,575	259	-
Allocation to school district - (unrestricted)					-	-	-	119,100	-
Miscellaneous					4,845	1,080	5,925	6,396	48
Transfers					5,374	(5,374)	-	-	-
Total general revenues and transfers					425,957	(558)	425,399	647,438	48
Change in net position					(45,723)	16,594	(29,129)	(14,617)	561
Net position - beginning					559,292	217,427	776,719	60,487	-
Prior Period Adjustment (see note I. G. 8)					(25,286)	-	(25,286)	-	-
Net position - beginning of year as restated					534,006	217,427	751,433	60,487	-
Net position - ending					$ 488,283	$ 234,021	$ 722,304	$ 45,870	$ 561

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

THE CITY OF ROCHESTER, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014 (000's Omitted)

			Capital Projects		Special Revenue		
	General	Debt Service	General	Transportation	Community Development	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 115,440	$ 15,768	$ 1,253	$ -	$ 9,313	$ 34,388	$ 176,162
Receivables (net of allowance for uncollectibles)							
Accounts	1,857	-	23	-	53,041	724	55,645
Taxes	11,125	-	-	-	-	288	11,413
Due from other governments	41,818	-	18,226	62	105	4,186	64,397
Due from other funds	32,519	-	75,363	11,869	890	2,471	123,112
Due from component units	788	-	-	-	-	-	788
Prepaid expense	3	-	-	-	-	-	3
Cash and cash equivalents - restricted	-	8,689	12,097	22,953	-	3,794	47,533
Total assets	$ 203,550	$ 24,457	$ 106,962	$ 34,884	$ 63,349	$ 45,851	$ 479,053
LIABILITIES							
Accounts payable and other accrued liabilities	$ 18,911	$ -	$ 7,124	$ 3,775	$ 2,186	$ 1,950	$ 33,946
Bond anticipation notes payable	-	-	5,569	21,447	-	1,565	28,581
Due to other governments	10,610	-	-	-	12,585	742	23,937
Due to other funds	84,017	109	21,216	571	1,806	17,403	125,122
Due to component units	76	44	4	-	-	8	132
Unearned revenue	9,026	-	-	-	36,501	-	45,527
Total liabilities	122,640	153	33,913	25,793	53,078	21,668	257,245
FUND BALANCES							
Restricted	-	8,689	-	-	4,798	4,389	17,876
Committed	47,835	-	72,372	9,091	5,473	8,824	143,595
Assigned	27,923	15,615	677	-	-	10,970	55,185
Unassigned	5,152	-	-	-	-	-	5,152
Total fund balances	80,910	24,304	73,049	9,091	10,271	24,183	221,808
Total liabilities and fund balances	$ 203,550	$ 24,457	$ 106,962	$ 34,884	$ 63,349	$ 45,851	$ 479,053

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

Total fund balances of governmental funds	$ 221,808
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	691,529
Accrual of property and sales taxes to qualify as financial resources	24,764
Internal service funds are used by management to charge the cost of risk management and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	34,568
Accrual of interest on bonds and notes payable	(1,847)
Accrual of Medicare Part D revenue	1,016
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	(104,305)
Premium liability	(8,381)
Compensated absences	(14,125)
Workers' compensation	(12,055)
OPEB liability	(323,739)
NYS Canal lease liability	(455)
Pollution remediation liability	(11,279)
Pension amortization liability	(9,216)
Net position of governmental activities	$ 488,283

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (000'S Omitted)

			Capital Projects		Special Revenue		
	General	Debt Service	General	Transportation	Community Development	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Real property tax	$ 141,822	$ -	$ -	$ -	$ -	$ 6,969	$ 148,791
Sales tax	140,227	-	-	-	-	-	140,227
Other taxes	20,052	-	-	-	-	-	20,052
Departmental	22,156	-	44	-	-	21,171	43,371
Use of money and property	339	403	1	-	2	21	766
Licenses and permits	3,384	-	-	-	-	-	3,384
Federal aid	1,813	-	8,700	1,026	22,368	3,160	37,067
State aid	104,031	-	5,173	4,643	-	2,020	115,867
Local sources and other	22,007	481	69	14	1,483	8,717	32,771
Total revenues	455,831	884	13,987	5,683	23,853	42,058	542,296
EXPENDITURES							
Current:							
General government	117,199	-	90	-	-	7,641	124,930
Neighborhood business development	8,035	-	-	-	28,895	1,055	37,985
Environmental services	16,962	-	-	-	-	11,536	28,498
Library	-	-	-	-	-	11,030	11,030
Police department	85,831	-	-	-	-	1,608	87,439
Fire department	45,708	-	-	-	-	852	46,560
Emergency communications	12,906	-	-	-	-	-	12,906
Recreation and youth services	9,790	-	-	-	-	1,604	11,394
Transportation	5,060	-	-	-	-	151	5,211
Education	119,100	-	-	-	-	-	119,100
Debt service:							
Principal retirement	16,884	-	-	-	-	505	17,389
Interest	4,525	-	-	-	-	190	4,715
Administrative charges	16	-	-	-	-	-	16
Capital outlay:							
General government	-	-	45,704	-	-	-	45,704
Police department	-	-	736	-	-	-	736
Fire department	-	-	98	-	-	-	98
Transportation	-	-	1,672	18,452	-	-	20,124
Recreation and youth services	-	-	44	-	-	1,629	1,673
Environmental services	-	-	5,577	-	-	-	5,577
Library	-	-	-	-	-	1,054	1,054
Neighborhood business development	-	-	-	-	-	78	78
Total expenditures	442,016	-	53,921	18,452	28,895	38,933	582,217
Excess (deficiency) of revenues over (under) expenditures	13,815	884	(39,934)	(12,769)	(5,042)	3,125	(39,921)
OTHER FINANCING SOURCES (USES)							
Capital contributions	-	-	-	-	-	45	45
Transfers in	15,301	437	14,249	3,675	890	826	35,378
Transfers out	(16,839)	(3,951)	(361)	(3,687)	-	(6,866)	(31,704)
Total other financing sources (uses)	(1,538)	(3,514)	13,888	(12)	890	(5,995)	3,719
Net change in fund balances	12,277	(2,630)	(26,046)	(12,781)	(4,152)	(2,870)	(36,202)
Fund balances - beginning	68,633	26,934	99,095	21,872	14,423	27,053	258,010
Fund balances - ending	$ 80,910	$ 24,304	$ 73,049	$ 9,091	$ 10,271	$ 24,183	$ 221,808

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

THE CITY OF ROCHESTER, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014 (000's Omitted)

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

Net change in fund balances - total governmental funds	$	(36,202)
Change in net position of internal service fund reported in governmental activities		6,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Governmental funds report capital outlays of $43,705 as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense of $ 27,780. This is the amount by which capital outlays exceeded depreciation in the current period.		15,925
Change in accrued revenue of the prior period		(64)
Change in accrual of interest payable on notes and bonds payable		(70)
Change in accrual of unrestricted governmental aid		(9)
Change in accrual of property tax		122
Change in accrual of sales tax		324
Change in pollution remediation liability		332
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 any effect on net position. Also, governmental funds report the effect of 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		17,389
Premium liability		705
OPEB expense is not reported in the governmental funds.		(39,660)
NYS Canal lease expense is not reported in the governmental funds.		90
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 the governmental funds:		
Workers' compensation		(1,944)
Compensated absences		5
Retirement amortization		(9,216)
Change in net position of governmental activities	$	(45,723)

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014 (000's Omitted)

	Business-type Activities							Governmental Activities
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market	Total Proprietary Funds	Internal Service Funds
ASSETS								
Current Assets:								
Cash and cash equivalents	$ 13,079	$ 8,033	$ 92	$ 17,460	$ 3,014	$ 1,528	$ 43,206	$ 42,348
Receivables (net of allowance for uncollectibles)	13,012	1,449	1,068	2,532	506	-	18,567	-
Due from other governments	22	1	226	-	-	-	249	-
Due from other funds	546	339	616	2,052	26	114	3,693	1,500
Cash and equivalents - restricted	11,789	2,537	271	161	1,134	44	15,936	-
Due from other governments - restricted	6	-	-	-	-	-	6	-
Total current assets	38,454	12,359	2,273	22,205	4,680	1,686	81,657	43,848
Noncurrent assets:								
Capital Assets:								
Land	572	9,468	165	155	139	708	11,207	-
Buildings	43,168	142,537	44,705	982	7,519	1,868	240,779	-
Improvements other than buildings	267,886	2,212	60	682	1,876	3,180	275,896	-
Equipment	6,478	2,769	6,008	17,347	1,763	168	34,533	-
Construction in progress	393	121	53	-	109	770	1,446	-
Less accumulated depreciation	(145,172)	(82,857)	(25,145)	(14,014)	(3,402)	(2,672)	(273,262)	-
Total noncurrent assets	173,325	74,250	25,846	5,152	8,004	4,022	290,599	-
Total assets	$ 211,779	$ 86,609	$ 28,119	$ 27,357	$ 12,684	$ 5,708	$ 372,256	$ 43,848
LIABILITIES								
Current liabilities:								
Accounts payable and other accrued liabilities	$ 3,933	$ 942	$ 145	$ 2,340	$ 193	$ 152	$ 7,705	$ 6,522
Accrued interest payable	742	312	157	-	19	-	1,230	-
Workers' compensation, current portion	361	21	-	1,224	14	2	1,622	-
Bond anticipation notes payable	13,981	2,725	300	-	-	-	17,006	-
Bonds payable	5,701	2,683	890	-	121	-	9,395	-
Due to other governments	402	101	-	340	40	15	898	-
Due to other funds	70	111	-	85	132	28	426	2,757
Unearned revenue	-	82	-	-	198	-	280	-
Total current liabilities	25,190	6,977	1,492	3,989	717	197	38,562	9,279
Noncurrent liabilities:								
Workers' compensation	671	39	-	2,272	25	4	3,011	-
Bonds payable	41,798	15,414	10,315	-	1,078	-	68,605	-
Due to other governments	465	119	-	392	48	19	1,043	-
OPEB liability	12,569	1,831	-	11,203	1,135	276	27,014	-
Total noncurrent liabilities	55,503	17,403	10,315	13,867	2,286	299	99,673	-
Total liabilities	80,693	24,380	11,807	17,856	3,003	496	138,235	9,279
NET POSITION								
Net investment in capital assets	123,634	55,965	14,612	5,313	7,939	4,066	211,529	-
Restricted for:								
Capital projects	-	-	1,511	8,131	2,501	906	13,049	-
Debt service	3,299	334	3	-	37	-	3,673	-
Health insurance	-	-	-	-	-	-	-	11,998
Unrestricted (deficit)	4,153	5,930	186	(3,943)	(796)	240	5,770	22,571
Total net position	131,086	62,229	16,312	9,501	9,681	5,212	234,021	34,569
Total liabilities and net position	$ 211,779	$ 86,609	$ 28,119	$ 27,357	$ 12,684	$ 5,708	$ 372,256	$ 43,848

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (000'S Omitted)

	Business-type Activities							Governmental Activities
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market	Total Enterprise Funds	Internal Service Funds
Operating revenues:								
Charges for services	$ 36,579	$ 11,823	$ 1,342	$ 25,675	$ 1,557	$ 824	$ 77,800	$ 57,999
Total operating revenues	36,579	11,823	1,342	25,675	1,557	824	77,800	57,999
Operating Expenses:								
Personal services	6,966	1,902	-	6,566	1,027	248	16,709	-
Supplies and materials	9,518	9,460	895	11,813	464	276	32,426	-
Employee benefits	6,095	1,515	10	6,130	730	187	14,667	-
Claims settlement	-	-	-	-	-	-	-	53,196
Depreciation	7,053	3,271	1,025	2,341	422	188	14,300	-
Total operating expenses	29,632	16,148	1,930	26,850	2,643	899	78,102	53,196
Operating income (loss)	6,947	(4,325)	(588)	(1,175)	(1,086)	(75)	(302)	4,803
Nonoperating revenues (expenses):								
Real property tax	-	-	881	-	1,269	74	2,224	-
Other taxes	-	-	905	-	-	-	905	-
Interest and penalties	1,062	16	-	-	2	-	1,080	-
Interest on investments	128	29	-	10	6	1	174	47
Federal aid	3	6	-	-	98	-	107	-
State grant	-	-	-	-	-	424	424	-
Local sources and other	-	-	-	-	17	-	17	-
Interest expense	(1,716)	(891)	(596)	-	(36)	-	(3,239)	-
Total nonoperating revenues (expenses)	(523)	(840)	1,190	10	1,356	499	1,692	47
Income (loss) before contributions and transfers	6,424	(5,165)	602	(1,165)	270	424	1,390	4,850
Capital contributions	-	20,578	-	-	-	-	20,578	-
Transfers in	-	-	-	-	-	-	-	1,700
Transfers out	(5,374)	-	-	-	-	-	(5,374)	-
Change in net position	1,050	15,413	602	(1,165)	270	424	16,594	6,550
Net position - beginning	130,036	46,816	15,710	10,666	9,411	4,788	217,427	28,019
Net position - ending	$ 131,086	$ 62,229	$ 16,312	$ 9,501	$ 9,681	$ 5,212	$ 234,021	$ 34,569

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (000'S Omitted)

	Business-type Activities							Governmental Activities
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	$ 36,717	$ 10,740	$ 1,317	$ 25,415	$ 1,673	$ 824	$ 76,686	$ 57,999
Payments to suppliers	(7,113)	(9,257)	(784)	(11,447)	(753)	(208)	(29,562)	(53,076)
Payments to employees	(12,154)	(2,943)	(10)	(12,175)	(1,550)	(362)	(29,194)	-
Net cash provided by (used for) operating activities	17,450	(1,460)	523	1,793	(630)	254	17,930	4,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Real property taxes and other taxes	-	-	1,786	-	1,269	74	3,129	-
Transfers (to) from other funds	(5,609)	54	(479)	(520)	85	201	(6,268)	8,770
Operating grants	(12)	6	-	-	115	424	533	-
Net cash provided by (used for) noncapital financing activities	(5,621)	60	1,307	(520)	1,469	699	(2,606)	8,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sales of bonds and notes	12,496	1,834	300	-	-	-	14,630	-
Capital contributions	-	20,578	-	-	-	-	20,578	-
Capital grants	3	-	-	-	-	-	3	-
Principal paid on bonds and notes	(5,546)	(2,585)	(890)	-	(25)	-	(9,046)	-
Interest expense paid on bonds and notes	(1,844)	(948)	(607)	-	(46)	-	(3,445)	-
Acquisition and construction of capital assets	(13,227)	(13,698)	(548)	(1,188)	(1,279)	(417)	(30,357)	-
Net cash provided by (used for) capital and related financing activities	(8,118)	5,181	(1,745)	(1,188)	(1,350)	(417)	(7,637)	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received from investments and customers	1,190	45	-	10	8	1	1,254	47
Net cash provided by investing activities	1,190	45	-	10	8	1	1,254	47
Net increase (decrease) in cash and cash equivalents	4,901	3,826	85	95	(503)	537	8,941	13,740
Cash and cash equivalents at beginning of year	19,967	6,744	278	17,526	4,651	1,035	50,201	28,608
Cash and cash equivalents at end of year	$ 24,868	$ 10,570	$ 363	$ 17,621	$ 4,148	$ 1,572	$ 59,142	$ 42,348
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	$ 6,947	$ (4,325)	$ (588)	$ (1,175)	$ (1,086)	$ (75)	$ (302)	$ 4,803
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	7,053	3,271	1,025	2,341	422	188	14,300	-
(Increase) decrease in customer receivables	139	(1,111)	(25)	(261)	60	-	(1,198)	-
Increase (decrease) in accounts payable - supplier	1,817	74	111	(96)	(293)	52	1,665	120
Increase (decrease) in compensated absences	(20)	6	-	37	8	8	39	-
Increase in salaries & benefits payable	1,514	625	-	947	259	81	3,426	-
Total Adjustments	10,503	2,865	1,111	2,968	456	329	18,232	120
Net Cash Provided by (Used for) Operating Activities	$ 17,450	$ (1,460)	$ 523	$ 1,793	$ (630)	$ 254	$ 17,930	$ 4,923

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014 (000's Omitted)

	Private-purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	$ 877	$ 18,956
Investments	2,767	-
Receivables (net of allowance for uncollectibles)	-	215
Total assets	3,644	19,171
LIABILITIES		
Accounts payable and other accrued liabilities	38	19,171
Total liabilities	38	19,171
NET POSITION		
Net position held in trust and other purposes	$ 3,606	

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (000's Omitted)

	Private-purpose Trust Funds
ADDITIONS	
Contributions	$ 280
Net investment earnings	361
Total additions	641
DEDUCTIONS	
Community services	293
Total deductions	293
Change in net position	348
Net Position - beginning	3,258
Net Position - ending	$ 3,606

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

The Rochester Land Bank Corporation (RLBC) is a public authority and not-for-profit corporation formed under Article 16 of the Not-for-Profit Corporation Law (the "Land Bank Act"). The RLBC's Certificate of Incorporation was filed by the City on August 9, 2013. The RLBC was formed for the acquisition of abandoned, vacant and tax delinquent properties and facilitating their return to productive use. There is a seven member voting board consisting of five *ex officio* members and two appointed members - one member appointed by the Mayor and one member appointed by City Council. The RLBC is included in these statements as a discretely presented component unit, a governmental fund type. Separate financial statements may be obtained from the RLBC's Executive Director at 30 Church Street, Room 125B, Rochester, New York 14614.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water for the Water Fund, refuse collection charges for the Refuse Fund, parking fees for the Parking Fund, sale of event tickets for the War Memorial Fund, sale of graves for the Cemetery Fund and vendor charges for the Public Market Fund. Operating expenses for the enterprise funds and the Internal Service Fund include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. NEW ACCOUNTING PRONOUCEMENTS

During the fiscal year ended June 30, 2014, the City evaluated the provisions of Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections,* Statement No. 67*, Financial Reporting for Pension Plans* and Statement No. 70*, Accounting and Financial Reporting for Nonexchange Financial Guarantees.* GASB Statement No. 66*, Technical Corrections -2012-* is an amendment of GASB Statements No. 10 and 62. Statement No. 67*, Financial Reporting for Pension Plans* is an amendment of GASB Statement No. 25. GASB Statements No. 66, 67 and 70 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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which will be effective for the year ending June 30, 2015;
- Statement No. 69, *Government Combinations and Disposals of Government Operations,* which will be effective for the year ending June 30, 2015; and
- Statement No. 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, 2014, the City had a legal margin of $34,483,000.

G. ASSETS, LIABILITIES, 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 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 $5,000 (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. Unearned Revenue

Unearned revenue is a liability for resources obtained prior to revenue recognition. The unearned revenue of $9,026,000 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days, $36,501,000 in the City's Special Revenue Community Development Fund relates primarily to an advance on a grant that had not started by the end of the fiscal year ended June 30, 2014, $198,000 in the City's Cemetary Fund relates primarily to charges for future care of grave sites and $82,000 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 $2,874,000 during fiscal year 2013-14, and has recorded it as unearned revenue. These funds represent receipts for various grants that were not fully spent at June 30, 2014. As the funds are spent during fiscal year 2014-15, revenue will be recorded.

5. Compensated Absences

It is the City's policy to pay employees for unused vacation and compensatory time when there is a separation from service. Employees have a vacation bank cap based on their start of service date with the City. Therefore, it is estimated that the prior fiscal year compensated absences balance is fully liquidated by the end of the next fiscal year. For Governmental activities, the current portion of this liability is accrued in the appropriate fund and for Business-type funds, the full liability is recognized at both the fund and entity-wide level. As of June 30, 2014, the liability for Governmental Activities was $15,018,820 and $1,122,878 for Business-type Activities.

6. 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. In the entity-wide financial statements bond premiums and discounts are amortized over the life of the debt issued. Bond issuance costs, if any, are charged as a general fund operating expense on the fund basis statements.

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.

7. Fund Balances — Governmental Funds

As of June 30, 2014, 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, 2014.

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

As of June 30, 2014, governmental fund balances were classified as follows (000's omitted):

			Capital Projects		Special Revenue		
	General	Debt Service	General	Transportation	Community Development	Nonmajor Governmental	Total Govern-mental Funds
Restricted:							
Debt service	$ -	$ 8,689	$ -	$ -	$ -	$ -	$ 8,689
Community development	-	-	-	-	4,798	-	4,798
Federal projects	-	-	-	-	-	2,479	2,479
Foreign fire insurance						1,226	1226
State projects	-	-	-	-	-	684	684
Committed:							
Retirement costs	21,929	-	-	-	-	-	21,929
Property tax relief	25,906	-	-	-	-	-	25,906
Capital projects	-	-	72,372	9,091	-	-	81,463
Federal block grant	-	-	-	-	5,473	-	5,473
Cultural & Recreation - Capital	-	-	-	-	-	601	601
Cemetery perpetual care	-	-	-	-	-	5,211	5,211
Economic Development - Capital	-	-	-	-	-	3,012	3,012
Assigned:							
Open purchase orders and contracts:	-						
General government	1,153	-	-	-	-	-	1,153
Police	134	-	-	-	-	-	134
Fire	180	-	-	-	-	-	180
Emergency communications	121	-	-	-	-	-	121
Environmental services	1,316	-	-	-	-	-	1,316
Recreation & Youth services	910	-	-	-	-	-	910
Neighborhood & business development	120	-	-	-	-	-	120
Subsequent year's expenditures	4,870	-	-	-	-	2,691	7,561
Retirement costs	6,000	-	-	-	-	-	6,000
Property tax relief	2,619	-	-	-	-	-	2,619
Postemployment benefits	7,000	-	-	-	-	-	7,000
Debt service	-	15,615	-	-	-	-	15,615
Capital projects	3,500	-	677	-	-	-	4,177
Animal control	-	-	-	-	-	443	443
Library	-	-	-	-	-	34	34
Local works	-	-	-	-	-	5,556	5,556
Downtown programs	-	-	-	-	-	2,246	2,246
Unassigned							
General fund	5,152	-	-	-	-	-	5,152
Totals	$ 80,910	$ 24,304	$ 73,049	$ 9,091	$ 10,271	$ 24,183	$ 221,808

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.

8. Restatement of Beginning Net Position

The City's entity-wide beginning net position in the governmental activities was decreased by $25,286,000 from $559,292,000 to $534,006,000. This was primarily due to further clarification of GASB Statement No. 65 and was determined that the related activity is more appropriately reported as unearned revenue and therefore the related adjustment was necessary to more accurately present the entity-wide net position of the governmental activities of the City.

9. 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 either assigned or committed fund balances since they do not constitute expenditures or liabilities. Total encumbrances in the General fund were $3,877,000 at year end. These were substantially for environmental services purposes including $1,316,000 for utilities, maintenance, fuel and security systems. Encumbrances for General Government purposed were $1,153,000 which included recreation programs, medical services, and employee training.

In enterprise funds, commitments outstanding at year-end are included in Unrestricted Net Position. As of June 30, 2014, $17,000,000 is in excess of the unrestricted Net Position.

10. 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 New York 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.

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 decreased total appropriations for operating budgets by $1,535,800. Estimated revenues increased by $753,100, transfers to other funds increased by $2,541,500 and transfers from other funds increased by $252,600. Appropriation of fund balance remained unchanged.

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 units.

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

Credit Risk. In compliance with New York State law, the City's investments are limited to obligations of the United States of America, obligations guaranteed by the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State of New York, special time deposit accounts, and certificates of deposit. Obligations of other New York jurisdictions may be included with the approval of the State Comptroller.

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

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

1. Deposits

At year-end, the total carrying amount of the City's deposits net of outstanding checks, including certificates of deposit, was $197,578,000 and the bank balance was $197,768,000. 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 $144,189,000. 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 $147,252,000; money markets at fair value of $146,850,000 and securities held in lieu of retainage with a fair market value of $402,000. 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 $76,000,000. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

3. Investments

At year-end, the City had $2,767,000 of Library trust funds invested: $1,403,000 was invested in fixed income securities and $1,272,000 in equities, with the remaining $92,000 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 $22,000 for fiscal year 2014, associated with the Capital Projects Fund, was assigned to the Debt Service Fund. In addition, investment income of $2,000 for fiscal year 2014, associated with the Cemetery Perpetual Care Fund, was assigned to the Cemetery Enterprise Fund.

B. RECEIVABLES AND PAYABLES

The Primary Government had $75,228,000 in accounts receivable at year-end. The major Governmental activities receivable was $53,041,000 in economic development and housing loans made from the Community Development Special Revenue Fund. The major Business-type receivables were $13,012,000 in the Water Fund, $1,449,000 in the Parking Fund, $1,068,000 in the War Memorial Fund, $2,532,000 in the Refuse Fund, and $506,000 in the Cemetery 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 ($12,740,000), Water Fund ($1,953,000) and Refuse Fund ($3,527,000).

The amount due from other governments to the City, as presented in the fund level statements as of June 30, 2014, was $64,646,000. This was comprised of the following items: $12,402,000 from New York State, $41,568,000 from Monroe County, $10,427,000 from the Federal Government, and $249,000 from others.

The amount due from other governments and due from the Primary Government to the School District as of June 30, 2014 was $55,719,000. This was comprised of the following items: $34,009,000 from New York State, $18,483,000 from the Federal Government and $3,227,000 from other sources.

The Primary Government had $62,298,000 in accounts payable and accrued liabilities at year-end. This amount also includes Compensated Absences (See Note I.G.5), as well as 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 $76,480,000 in accounts payable and accrued liabilities at year-end. This was principally made up of vouchers expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

C. CAPITAL ASSETS

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

Class	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 25,043	$ 157	$ -	$ 25,200
Construction in progress	1,032	5,224	2,177	4,079
Total capital assets, not being depreciated	26,075	5,381	2,177	29,279
Capital assets, being depreciated:				
Buildings	235,100	7,452	1,627	240,925
Improvements other than buildings	57,088	2,500	2,128	57,460
Machinery, equipment, and vehicles	104,021	4,551	4,059	104,513
Infrastructure	570,348	28,530	5	598,873
Total capital assets being depreciated	966,557	43,033	7,819	1,001,771
Less accumulated depreciation for:				
Buildings	95,473	6,478	1,289	100,662
Improvements other than buildings	21,039	2,220	747	22,512
Machinery, equipment, and vehicles	61,131	9,085	3,231	66,985
Infrastructure	139,386	9,997	21	149,362
Total accumulated depreciation	317,029	27,780	5,288	339,521
Total capital assets, being depreciated, net:	649,528	15,253	2,531	662,250
Governmental activities capital assets, net:	$ 675,603	$ 20,634	$ 4,708	$ 691,529

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

Class	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ 10,107	$ 1,145	$ 45	$ 11,207
Construction in progress	4,780	7,826	11,160	1,446
Total capital assets, not being depreciated	14,887	8,971	11,205	12,653
Capital assets, being depreciated:				
Buildings	222,220	18,559	-	240,779
Improvements other than buildings	263,960	11,935	-	275,895
Machinery, equipment, and vehicles	33,022	2,146	636	34,532
Total capital assets, being depreciated	519,202	32,640	636	551,206
Less accumulated depreciation for:				
Buildings	117,403	5,154	-	122,557
Improvements other than buildings	119,073	5,761	-	124,834
Machinery, equipment, and vehicles	23,068	3,385	584	25,869
Total accumulated depreciation	259,544	14,300	584	273,260
Total capital assets, being depreciated, net:	259,658	18,340	52	277,946
Business-type activities capital assets, net:	$ 274,545	$ 27,311	$ 11,257	$ 290,599

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

Governmental activities:	
General government	$ 5,097
Police	2,401
Fire	2,271
Emergency communications	310
Transportation	10,039
Environmental services	3,492
Parks & recreation	1,909
Library	907
Community development	1,354
Total depreciation expense - governmental activities	$ 27,780
Business-type activities:	
Water	$ 7,053
Parking	3,271
War Memorial	1,025
Refuse	2,341
Cemetery	422
Public market	188
Total depreciation expense – business-type activities	$ 14,300
Total depreciation expense - primary government	$ 42,080

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

Class	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, not being depreciated:				
Land	$ 17,439	$ 1	$ -	$ 17,440
Construction-in-progress	102,303	130,680	98,788	134,195
Total Capital Assets, not being depreciated	119,742	130,681	98,788	151,635
Capital Assets, being depreciated:				
Buildings and improvements	594,345	95,862	7,074	683,133
Equipment and other	53,849	4,007	4,269	53,587
Total Capital Assets, being depreciated	648,194	99,869	11,343	736,720
Less accumulated depreciation for:				
Buildings and improvements	257,442	22,221	4,191	275,472
Equipment and other	38,879	4,923	3,433	40,369
Total accumulated depreciation	296,321	27,144	7,624	315,841
Total Capital Assets, being depreciated, net:	351,873	72,725	3,719	420,879
School District Capital Assets, net:	$ 471,615	$ 203,406	$ 102,506	$ 572,514

D. CURRENT DEBT RELATED LIABILITIES

The following tables summarize changes in the City's current debt related liabilities for the year ended June 30, 2014:

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
Bond Anticipation Notes					
Public improvement	$ 6,296	$ 21,991	$ -	$ 28,287	$ 28,287
Library	-	294	-	294	294
Total Bond Anticipation Notes	$ 6,296	$ 22,285	$ -	$ 28,581	$ 28,581

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
Bond Anticipation Notes					
Water	$ 1,485	$ 12,496	$ -	$ 13,981	$ 13,981
Parking	891	1,834	-	2,725	2,725
War Memorial	-	300	-	300	300
Total Bond Anticipation Notes	$ 2,376	$ 14,630	$ -	$ 17,006	$ 17,006

As of June 30, 2014, the City had two Bond Anticipation Notes, one for $36,587,000 at 1.00% maturing August 12, 2014 and one for $13,000,000 at 1.25% maturing March 18, 2015. As reported above, these BANS were 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 current debt related liabilities for the year ended June 30, 2014:

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
Bond Anticipation Notes					
Capital Projects Fund	$ -	$ 4,000	$ -	$ 4,000	$ 4,000
Total Bond Anticipation Notes	$ -	$ 4,000	$ -	$ 4,000	$ 4,000

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2014:

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds					
Public Improvement	$ 114,694	$ -	$ (16,449)	$ 98,245	$ 16,725
Sewer	1,800	-	(435)	1,365	390
Library	2,200	-	(505)	1,695	505
Local Works	3,000	-	-	3,000	255
Premium	9,086	-	(705)	8,381	705
Total General Obligation Bonds	130,780	-	(18,094)	112,686	18,580
Other Noncurrent Liabilities					
NYS Canal Corp. Lease	545	-	(90)	455	91
Workers' Compensation	10,111	5,815	(3,871)	12,055	4,219
Pollution Remediation	11,611	559	(891)	11,279	-
OPEB Liability	284,079	60,472	(20,812)	323,739	-
NYS Pension Liability Amortization	-	9,216	-	9,216*	-
Total Other Noncurrent Liabilities	$ 306,346	$ 76,061	$ (25,664)	$ 356,744	$ 4,310
TOTAL NONCURRENT LIABILITIES	$ 437,126	$ 76,061	$ (43,053)	$ 469,430	$ 22,890

*This amount is only the noncurrent portion of the NYS Pension Liability Amortization. The current portion is included in Due to other governments, which is disclosed in Note 4.D.2.

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds					
Water	$ 50,646	$ -	$ (5,546)	$ 45,100	$ 5,510
Parking	20,135	-	(2,585)	17,550	2,640
War Memorial	12,095	-	(890)	11,205	890
Cemeteries	1,105	-	(25)	1,080	110
Premium	3,310	-	(245)	3,065	245
Total General Obligation Bonds	87,291	-	(9,291)	78,000	9,395
Other Noncurrent Liabilities					
Workers' Compensation	6,338	215	(1,920)	4,633	1,622
NYS Pension Liability Amortization	-	1,043	-	1,043*	-
OPEB Liability	23,233	4,818	(1,037)	27,014	-
Total Other Noncurrent Liabilities	29,571	6,076	(2,957)	32,690	1,622
TOTAL NONCURRENT LIABILITIES	$ 116,862	$ 6,076	$ (12,248)	$ 110,690	$ 11,017

*This amount is only the noncurrent portion of the NYS Pension Liability Amortization. The current portion is included in Due to other governments, which is disclosed in Note 4.D.2.

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, 2014:

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

	Balance July 1, 2013	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2014	Due Within One Year
General Obligation Bonds					
General Fund	$ 171,813	$ -	$ (16,413)	$ 155,400	$ 17,480
RJSCB School Facility Revenue Bonds	227,155	-	(3,345)	223,810	10,065
Premium	33,941	-	(2,261)	31,681	2,261
Other Noncurrent Liabilities					
OPEB Liability	175,677	34,752	(18,657)	191,772	-
NYS Education Department (EPE)	2,129	-	(2,129)	-	-
NYS Special Purpose Bonds - 2003	-	-	-	-	-
NYS Lottery Advance	14,667	-	(667)	14,000	667
NYS Teachers' Retirement Incentive	5,647	-	(2,823)	2,824	2,824
NYS Teachers' Retirement Pension	-	5,415	-	5,415	-
NYS Employees' Retirement Incentive	1,700	-	(850)	850	850
NYS Employees' Retirement Pension	-	1,234	-	1,234	104
Claims Payable	27,191	5,025	(9,164)	23,052	5,201
Compensated Absences	2,061	7,165	(7,785)	1,441	1,441
Installment Purchase Debt	11,972	504	(2,919)	9,557	2,812
Total Other Noncurrent Liabilities	241,044	54,095	(44,994)	250,145	13,899
TOTAL NONCURRENT LIABILITIES	$ 673,953	$ 54,095	$ (67,013)	$ 661,036	$ 43,705

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.

In prior years, the City and the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City or the District's financial statements. As of June 30, 2014 the City had $7,225,000 and the District had $34,795,000 of bonds outstanding that are considered defeased.

1. 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	Governmental Activities		Business-Type Activities		School District		
Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
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	10,195	1,815	7,160	1,704	16,755	3,347	40,976
2020-2024	28,010	4,187	26,300	4,181	56,620	7,113	126,411
2025-2029	8,150	633	8,325	470	11,195	666	29,439
2030-2032	1,290	51	-	-	-	-	1,341
Total	$ 104,305	$ 19,656	$ 74,935	$ 16,700	$ 155,400	$ 32,029	$ 403,025

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

Outstanding Bond Issues - June 30, 2014

Issue	Rate(%)	Principal Balance	Final Maturity	Amount Issued	Capital Project Fund Categories
General Obligation-1994, Series A	5.000	$ 2,850,000	08/15/22	$63,577,000	G,L,P,R,S,W,Sch
General Obligation-1996, Series A	5.000	365,000	09/15/23	70,690,000	G,L,P,S,W,Sch
General Obligation-1996, Series B (Taxable)	6.700	3,530,000	09/15/24	9,380,000	Parking only
General Obligation Serial Bonds-1997	5.000	3,610,000	10/01/25	55,960,000	G,L,P,S,W,Sch
General Obligation Serial Bonds-1999	5.250	9,615,000	10/01/26	69,575,000	G,W,S,L,WM,Sch
General Obligation Serial Bonds-2001, Series A	4.250	900,000	10/15/27	29,275,000	G,L,S,W,Sch
General Obligation Serial Bonds-2001, Series B	5.000	1,590,000	02/15/28	35,350,000	G,S,PM,WM,W,Sch
General Obligation Serial Bonds-2004, Series A	3.500	2,415,000	10/15/31	47,000,000	G,S,W,P,PM,Sch
General Obligation Serial Bonds-2006, Series A	4.000	26,765,000	02/15/25	58,320,000	G,S,W,Sch
General Obligation Serial Bonds-2006, Series B	3.750	7,600,000	10/15/24	41,800,000	G,S,W,P,Sch
General Obligation Serial Bonds-2008, Series A	3.250	5,560,000	02/01/22	19,005,000	G,S,W,P
General Obligation Serial Bonds-2008, Series B	3.500	16,005,000	10/15/26	39,220,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C1	5.110	51,165,000	02/10/24	92,996,949	G,S,L,W,P,C,PM,Sch
General Obligation Serial Bonds-2009, Series C2 (Taxable)	5.521	3,215,000	02/10/19	3,215,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C3 (Taxable)	5.521	1,830,000	02/10/24	1,830,000	G,W,P
General Obligation Serial Bonds-2010, QECB	2.750	865,000	07/01/15	2,166,400	G,L,P
General Obligation Serial Bonds-2012, Series I	2.000	59,515,000	08/15/27	66,943,000	G,S,L,W,P,Sch
General Obligation Serial Bonds-2012, Series II	2.000	4,365,000	08/15/19	5,655,000	School only
General Obligation Serial Bonds-2012, Series III	2.000	7,940,000	02/15/25	9,640,000	School only
General Obligation Serial Bonds-2012, Series IV	2.000	14,655,000	10/15/31	14,655,000	G,S,W,Sch
General Obligation Serial Bonds-2012, Series V	2.000	19,390,000	02/15/31	19,390,000	G,S,W,P,Sch
General Obligation Serial Bonds-2013, Series I	4.000	29,150,000	02/01/25	29,150,000	G,LW,P,C
General Obligation Serial Bonds-2013, Series II	5.000	61,745,000	02/01/29	67,470,000	G,W,P,Sch
Total		$334,640,000			

(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 2.0% to 6.7% with maturity dates through fiscal year 2032. Bonds authorized but unissued as of June 30, 2014 amounted to $43,769,000. The debt-contracting margin of the City as of June 30, 2014, was $208,395,000.

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 2014.

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. As of the end of the fiscal year there were no estimated recoveries to report.

During the fiscal year, the City recognized estimated additional liabilities of $559,000, and spent $891,000 in pollution remediation obligation related activities. At June 30, 2014, the City had an outstanding pollution remediation liability of $11,279,000.

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, 2014, capital assets with an acquisition cost of $4,935,326 and a net book value of $4,192,552 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, 2014, the accrued lease liability (net of receivables from a sublease) was $455,000. 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.

I. CULTURAL CENTER COMMISSION DISSOLUTION

The dissolution of the Cultural Center Commission (Commission) was agreed upon by the City of Rochester (City) and the County of Monroe (County) during the 2014 fiscal year. The City and County (the parties) entered into an agreement on October 20, 1980 and was amended in 1985 and 1987. The agreement was pursuant to Section 1(a) of Ch. 186 Laws of New York 1990. The law states that the Commission shall continue in existence until such time as the governing bodies of both the City and the County shall agree to its termination and adopt identical instruments of termination. The Commission was formed by the legislature of the State of New York to authorize the City and the County to provide for cultural center projects. All assets and liabilities of the Commission were distributed to the parties pursuant to the original agreement. The City had a financial impact of $9,560,000 which increased the parking fund.

The Dissolution Agreement was entered into by the City pursuant to the provisions of Ordinance No. 2013-227, adopted by the Council of the City on July 16, 2013 and approved by the Mayor on July 17, 2013.

The Dissolution Agreement was entered into by the County pursuant to the provisions of Resolution No. 221 of 2013, adopted by the Legislature of the County on August 13, 2013, and approved by the County Executive on August 20, 2013.

The Dissolution Agreement was entered into by the Commission pursuant to the provisions of Resolution No. 4 of 2013, adopted by the Cultural Center Commission on June 14, 2013.

J. CAPITAL CONTRIBUTION

At June 30, 2014, the total capital contributions to the parking fund was $20,578,000. This was comprised of $9,560,000 to the parking fund from the dissolution of the Cultural Center Commission and $11,018,000 for improvements to Midtown parking garage.

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, 2014, the amount of these liabilities was $19,569,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2012 resulted from the following (000's Omitted):

	Workers' Compensation	General Liability	Total
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
Claims incurred 2013-14	$ 5,598	$ 2,242	$ 7,840
Payments 2013-14	(5,359)	(2,550)	(7,909)
Estimated claims June 30, 2014	$ 16,688	$ 2,881	$ 19,569

Third party insurance is maintained by the School District on vehicles, boilers and machines, and stop loss for major medical benefits. 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 calculation of the School District's estimated claims at June 30, 2014 for self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims that have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The estimated claims for the student accident program represent and amount based on prior experience with actual payments of claims.

	Workers' Compensation
Estimated claims June 30, 2012	$ 22,026
Claims incurred 2012-13	4,796
Payments 2012-13	(4,241)
Estimated claims June 30, 2013	$ 22,581
Claims incurred 2013-14	$ 4,963
Payments 2013-14	(4,529)
Estimated claims June 30, 2014	$ 23,015

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 City 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, 2013, the effective date of the biannual OPEB valuation, follows:

	City	School District	Total
Active employees	2,966	5,560	8,526
Retired employees	3,022	3,719	6,741
Total	5,988	9,279	15,267

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, 2014, the City's annual OPEB cost (expense) of $65,280,000 is not equal to the Annual Required Contribution which is $50,778,000. Considering the annual expense as well as the payment of current health insurance premiums, which totaled $21,839,000 for retirees and their beneficiaries, the result was an increase in the Net OPEB Obligation of $39,690,000 for the year ended June 30, 2014.

Considering the District's annual expense as well as the payment of current health insurance premiums, which totaled $18,657,000, the result was an increase in the District's Net OPEB Obligation of $16,095,000 for the year ended June 30, 2014.

Level Dollar Amortization (000's Omitted):

Calculation of ARC under Projected Unit Credit Method

	City	School District	Total
Annual required contribution (ARC)	$ 50,778	$ 39,230	$ 90,008
Interest on Net OPEB Obligation	12,293	7,027	19,320
Adjustment to ARC	2,209	(11,505)	(9,296)
Annual OPEB cost (expense)	65,280	34,752	100,032
Contribution for fiscal year ended June 30,2014	(21,839)	(18,657)	(40,496)
Increase in net OPEB obligation	43,441	16,095	59,536
Net OPEB obligation July 1, 2013	307,312	175,677	482,989
Net OPEB obligation June 30, 2014	$ 350,753	$ 191,772	$ 542,525
Percent of annual OPEB cost contributed	33.45%	53.69%	44.23%

The City's annual OPEB cost and contribution for year ended June 30, 2014 and the prior years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$65,279,520	$21,838,707	33.45%	$350,753,336
2013	$58,256,062	$17,796,544	30.55%	$307,312,523
2012	$56,028,684	$24,896,572	44.44%	$266,853,350

The District's annual OPEB cost and contribution for year ended June 30, 2014 and the prior two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$34,752,380	$18,656,726	53.68%	$191,772,762
2013	$29,302,568	$15,431,413	52.66%	$175,677,108
2012	$27,550,751	$14,652,284	53.18%	$161,805,953

Funded status and funding progress. As of the most recent valuation date of July 1, 2013, both the City's and District's OPEB plans were unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $654 million for the City and $454 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 2013-14 who are eligible for postretirement benefits are $204,255,410 for the City and $300,895,032 for the District. The ratios of the unfunded actuarial accrued liability at June 30, 2014 to annual covered payroll for 2013-14 are 320% for the City and 151% 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, 2014. Because these funds are not part of the restricted fund balance, they are not an indicator 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, 2013 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 2015, trending downward by 1% per year until calendar year 2019 at which time the trend is projected to increase at 5% in calendar year 2019 and later. Healthcare inflation is applied in 2015, since cost projections (rates) are known in 2014, costs are treated as fixed for calendar year 2014.

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 $1,016,000 for the City in fiscal year 2014, cannot be projected as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for qualified retirees per the collective bargaining agreement between the District and Association of Supervisors and the Administrators of Rochester for an attendance incentive. During fiscal year 2013-14, MRA claims totaling $29,838 were paid by the District and at June 30, 2014 there were twenty nine active participants.

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. 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. Benefits generally vest after five or ten years of credited service depending upon Tier membership.

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, temporary and provisional 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 and PFRS Tier VI employees which started April 1, 2012, is between 3% and 6%, dependent upon their salary for their entire working career.

As of July 1, 2013, new employees making a minimum salary of $75,000 and are unrepresented (not associated with a union), and not already vested in the NYS Retirement System have the option of joining the Voluntary Defined Contribution Plan (VDC) maintained thru TIAA-CREF. Employees' contributions are based on the following, $75,000 to $75,000.99 = 4.5%, $75,001 to $100,000.99 = 5.75% and greater than $100,001 = 6%. All amounts are subject to the 415 limit set by law each year. The City's contribution is 8% of the employees' annual wages. Employee contributions are deducted by the City from the employees' paychecks and are sent currently to the Retirement System.

The total payroll for all employees of the City for fiscal year 2014 was $204,255,410 of which $86,120,795 represented payroll costs for employees covered by ERS, $103,392,845 by PFRS, and $14,741,770 for nonparticipating employees. All full-time police officers and firefighters are mandatory members.

The total payroll for all employees of the School District for fiscal 2014 was $332,463,000 of which $67,456,000 represented payroll costs for employees by ERS, $254,567,000 by TRS, and $10,439,000 for nonparticipating employees. 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, 2014 will be made in three monthly installments starting in September of 2014.

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
2014	$ 10,634	$ 21,218	$ 31,852
2013	14,581	32,003	46,584
2012	12,463	18,798	31,261

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

Fiscal Year Ended June 30,	Employees' Retirement System	Teachers' Retirement System	Total Retirement Systems
2014	$ 14,304	$ 30,734	$ 45,038
2013	12,341	29,195	41,536
2012	10,296	23,931	34,227

ERS and PFRS, effective with Chapter 57, Laws of 2010, initiated an employer contribution stabilization program, referred to as the Original Contribution Stabilization Program, which provides for the option of amortizing a portion of the pension cost over 10 years with repayment based on an interest rate established by the NYS Comptroller using current market rates. Chapter 57, Laws of 2013, established an Alternate Contribution Stabilization Program which allows for the option of amortizing over 12 years at a similar interest rate. In fiscal year 2014, the City elected to amortize a portion of retirement costs amounting to $4,841,723 for PFRS and $6,364,555 for ERS under the Original Contribution Stabilization Program. Annual repayments will include 3.67% interest as indicated by the NYS Comptroller.

The District is required to contribute at an actuarially determined rate. The District has also elected to participate in the ERS Contribution Stabilization Program under the Chapter 57, Laws of 2010. This program gives employers the option to amortize a portion of their annual NYSERS pension costs in equal installments over a ten-year period at an annually set interest rate. The liability recorded at June 30, 2014 reflects a contribution rate of 12.3% for the ERS. As part of the ERS pension smoothing program, $1,234,449 was deferred in association with 4th quarter 2013-14 pension costs. This deferral will be amortized over 10 years with repayment beginning in fiscal 2014-15. Total repayment costs are projected to be $1,497,065, including interest.

The retirement liability for the City and the School District as of June 30, 2014, included in Due to other governments at the fund level, except for the noncurrent portion of Governmental Activities, is as follows (000's Omitted):

Government	Employees' Retirement System	Police and Fire Retirement System	Teachers' Retirement System	Total Retirement Systems
City	$ 6,889	$ 6,405	$ -	$ 13,294
School District	3,318	-	40,981	44,299
Total	$ 10,207	$ 6,405	$ 40,981	$ 57,593

A portion of the liability as of June 30, 2014 includes the period of April 1, 2014 - June 30, 2014 for the Employees' and Police and Fire Retirement Systems; and the period July 1, 2013 to June 30, 2014 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, 2014, the City paid approximately $10,500. On June 30, 2014 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, 2014 (000's Omitted):

	Due From:								
Due to:	**General**	**General Capital**	**Transportation Capital**	**Community Development**	**Nonmajor Capital**	**Nonmajor Special Revenue**	**Internal Service**	**Proprietary**	**Total**
General	$ -	$ 75,361	$ 1,365	$ 890	$ -	$ 1,229	$ 1,500	$ 3,672	$ 84,017
Debt Service	109	-	-	-	-	-	-	-	109
General Capital	21,216	-	-	-	-	-	-	-	21,216
Transportation Capital	571	-	-	-	-	-	-	-	571
Community Development	1,806	-	-	-	-	-	-	-	1,806
Nonmajor Capital	35	-	-	-	-	-	-	-	35
Nonmajor Special Revenue	5,684	2	10,504	-	1,157	-	-	21	17,368
Internal Service	2,757	-	-	-	-	-	-	-	2,757
Proprietary	341	-	-	-	-	85	-	-	426
Total	$ 32,519	$ 75,363	$ 11,869	$ 890	$ 1,157	$ 1,314	$ 1,500	$ 3,693	$ 128,305

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, 2014, which were routine in nature, were as follows (000's Omitted):

	Transfer In:								
Transfer Out:	**General**	**Debt Service**	**General Capital**	**Transportation Capital**	**Special Revenue Community Development**	**Nonmajor Governmental Capital Projects**	**Nonmajor Governmental Special Revenue**	**Internal Service**	**Total**
General	$ -	$ -	$ 14,249	$ -	$ 890	$ -	$ -	$ 1,700	$16,839
Debt Service	3,890	-	-	-	-	-	61	-	3,951
General Capital	360	1	-	-	-	-	-	-	361
Transportation Capital	3,687	-	-	-	-	-	-	-	3,687
Nonmajor Governmental Capital Projects	-	436	-	-	-	-	-	-	436
Nonmajor Governmental Special Revenue	1,990	-	-	3,675	-	765	-	-	6,430
Proprietary	5,374	-	-	-	-	-	-	-	5,374
Total	$ 15,301	$ 437	$ 14,249	$ 3,675	$ 890	$ 765	$ 61	$ 1,700	$37,078

F. SUBSEQUENT EVENTS

On August 11, 2014 the City of Rochester issued Bond Anticipation Notes (BANS) 2014 Series II, in the amount of $65,150,000. A portion of the proceeds ($35,380,000) were used to redeem bond anticipation notes maturing on August 12, 2014 and the remaining portion ($29,770,000) provided original financing. The blended interest rate on the BANs is 0.24%.

On August 18, 2014, the City received bids for the construction of the Inner Loop East Transformation Project. A low bid of $16,576,295 was received. The total project cost is $21,581,036 including design, resident project representation (RPR), Project Labor Agreement (PLA) monitoring and additional construction costs. Source of funds are $16,781,036 (Federal) and $4,800,000 (New York State).

THE CITY OF ROCHESTER, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND PROPRIETARY FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2014 (000's Omitted)

	General Fund		Special Revenue Fund		Proprietary Funds		Total		
	Final	Actual	Final	Actual	Final	Actual	Original	Final	Actual
REVENUES									
Real property tax	$ 140,015	$ 141,822	$ 6,859	$ 6,969	$ 2,224	$ 2,224	$ 149,098	$ 149,098	$ 151,015
Sales taxes	139,332	140,227	-	-	-	-	139,332	139,332	140,227
Other taxes	19,295	20,050	-	-	905	905	20,200	20,200	20,955
Charges for services	12,547	13,501	21,157	21,201	79,206	77,404	112,643	112,910	112,106
Use of money and property	315	540	15	20	121	204	1,309	451	764
Interest and penalties	2,412	1,816	-	-	950	1,064	2,412	3,362	2,880
Licenses and permits	2,750	3,192	-	-	-	-	2,750	2,750	3,192
Federal aid	4,984	5,833	127	129	9	107	4,881	5,120	6,069
State aid	106,994	107,717	1,167	932	-	25	108,070	108,161	108,674
Local sources and other	21,072	20,951	6,721	6,756	317	445	28,045	28,110	28,152
Total revenues	449,716	455,649	36,046	36,007	83,732	82,378	568,740	569,494	574,034
EXPENDITURES									
Council and clerk	1,767	1,720	-	-	-	-	1,767	1,767	1,720
Administration	9,273	8,581	-	-	-	-	9,273	9,273	8,581
Information technology	6,221	5,760	-	-	-	-	6,220	6,221	5,760
Finance	4,527	4,219	-	-	7,876	6,355	12,402	12,403	10,574
Neighborhood development	12,637	11,624	-	-	974	887	13,611	13,611	12,511
Environmental services	23,744	22,792	12,255	11,483	44,023	40,811	80,022	80,022	75,086
Library	-	-	11,152	10,973	-	-	11,044	11,152	10,973
Police	87,115	86,035	1,278	1,163	-	-	86,472	88,393	87,198
Fire	46,680	46,018	-	-	-	-	45,764	46,680	46,018
Emergency communications	13,688	12,999	-	-	-	-	13,688	13,688	12,999
Recreation and youth services	10,564	10,302	-	-	681	728	11,115	11,245	11,030
Undistributed	102,816	98,771	7,055	7,587	11,135	10,627	120,663	121,006	116,985
Contingency	19	-	28	-	-	-	4,510	47	-
Debt services	21,426	21,425	701	695	12,879	12,502	35,498	35,006	34,622
Total expenditures	340,477	330,246	32,469	31,901	77,568	71,910	452,049	450,514	434,057
Excess of revenues over expenditures	109,239	125,403	3,577	4,106	6,164	10,468	116,691	118,980	139,977

THE CITY OF ROCHESTER, NEW YORK
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND PROPRIETARY FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2014 (000's Omitted)

	General Fund		Special Revenue Fund		Proprietary Funds		Total		
	Final	Actual	Final	Actual	Final	Actual	Original	Final	Actual
OTHER FINANCING SOURCES (USES)									
Transfers from other funds	18,850	19,262	$ 61	$ 61	$ 3,757	$ 5,382	22,415	$ 22,668	$ 24,705
Transfers (to) other funds	(14,249)	(15,749)	(4,440)	(4,440)	(13,499)	(13,499)	(29,646)	$ (32,188)	(33,688)
Transfers (to) component unit	(119,100)	(119,100)	-	-	-	-	(119,100)	(119,100)	(119,100)
Total other financing uses	(114,499)	(115,587)	(4,379)	(4,379)	- (9,742)	- (8,117)	- (126,331)	(128,620)	(128,083)
Appropriation of prior year fund balance	5,260	-	802	-	3,578	-	9,640	9,640	-
Excess (deficiency) of revenues and other sources over expenditures and other uses-Budget Basis	$ -	9,816	$ -	(433)	$ -	2,351	$ -	$ -	11,734
Encumbrances included in actual		3,726		160		642			4,528
Excess (deficiency) of revenues and other sources over expenditures, encumbrances and other uses		13,542		(273)		2,993			16,262
Expenditures of prior years' encumbrances		1,265		84		98			1,447
Excess (deficiency) of revenues and other sources over expenditures and other uses		12,277		(357)		2,895			14,815
Net proprietary capital expense		-		-		(6,152)			(6,152)
Depreciation expense		-		-		(14,300)			(14,300)
Debt service cash basis		-		-		9,083			9,083
Contribution to reserve for capital projects		-		-		13,499			13,499
Other post employment benefits		-		-		(3,780)			(3,780)
Capital and debt reimbursement		-		-		(496)			(496)
Capital contribution		-		-		15,845			15,845
Fund balance - beginning of year		68,633		9,081		217,427			295,141
Fund balance - end of year		$ 80,910		$ 8,724		$ 234,021			$ 323,655

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.

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
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%
2014	July 1, 2013	-	654,081,484	654,081,484	0.0%	204,255,410	320.2%

SCHEDULE OF EMPLOYER CONTRIBUTION
OTHER POST EMPLOYMENT BENEFITS (OPEB)

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2014	50,777,979	21,858,666	43.05%

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, 2014 (000's Omitted)

	Capital Project Funds			Special Revenue Funds							
	Economic Assistance	Cultural and Recreation	Sewers	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	$ -	$ -	$ -	$ 651	$ 6	$ 19,359	$ 2,377	$ 2,398	$ 5,211	$ 4,386	$ 34,388
Receivables (net of allowance for uncollectibles)											
Accounts	-	-	-	-	724	-	-	-	-	-	724
Taxes	-	-	-	-	-	288	-	-	-	-	288
Due from other governments	662	-	-	-	2,527	-	490	507	-	-	4,186
Due from other funds	-	1,157	-	17	518	747	15	4	-	13	2,471
Cash and cash equivalents - restricted	2,360	1,434	-	-	-	-	-	-	-	-	3,794
Total assets	$ 3,022	$ 2,591	$ -	$ 668	$ 3,775	$ 20,394	$ 2,882	$ 2,909	$ 5,211	$ 4,399	$ 45,851
LIABILITIES											
Accounts payable and other accrued liabilities	$ 10	$ 390	$ -	$ 70	$ 663	$ 239	$ 292	$ 274	$ -	$ 12	$ 1,950
Bond anticipation notes payable	-	1,565	-	-	-	-	-	-	-	-	1,565
Due to other governments	-	-	-	47	400	295	-	-	-	-	742
Due to other funds	-	35	-	108	2,670	11,613	111	725	-	2,141	17,403
Due to component units	-	-	-	-	8	-	-	-	-	-	8
Total liabilities	10	1,990	-	225	3,741	12,147	403	999	-	2,153	21,668
FUND BALANCES											
Restricted	-	-	-	-	-	-	2,479	1,910	-	-	4,389
Committed	3,012	601	-	-	-	-	-	-	5,211	-	8,824
Assigned	-	-	-	443	34	8,247	-	-	-	2,246	10,970
Total fund balances	3,012	601	-	443	34	8,247	2,479	1,910	5,211	2,246	24,183
Total liabilities and fund balances	$ 3,022	$ 2,591	$ -	$ 668	$ 3,775	$ 20,394	$ 2,882	$ 2,909	$ 5,211	$ 4,399	$ 45,851

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

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, 2014 (000'S Omitted)

	Capital Project Funds			Special Revenue Funds							
	Economic Assistance	Cultural and Recreation	Sewers	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	Total Nonmajor Governmental Funds
REVENUES											
Real property tax	$ -	$ -	$ -	$ 1,302	$ 5,667	$ -	$ -	$ -	$ -	$ -	$ 6,969
Departmental	-	-	-	261	2,455	18,455	-	-	-	-	21,171
Use of money and property	-	-	-	-	-	19	-	-	-	2	21
Federal aid	-	-	-	-	130	-	2,099	931	-	-	3,160
State aid	46	-	-	-	873	59	270	772	-	-	2,020
Local sources and other	-	-	-	46	6,740	-	114	3	67	1,747	8,717
Total revenues	46	-	-	1,609	15,865	18,533	2,483	1,706	67	1,749	42,058
EXPENDITURES											
Current:											
General government	-	-	-	525	3,474	3,588	-	-	-	54	7,641
Neighborhood business development	-	-	-	-	-	-	814	241	-	-	1,055
Environmental services	-	-	-	-	-	11,505	-	31	-	-	11,536
Library	-	-	-	-	11,030	-	-	-	-	-	11,030
Police department	-	-	-	1,168	-	-	-	440	-	-	1,608
Fire department	-	-	-	-	-	-	-	852	-	-	852
Recreation and youth services	-	-	-	-	-	-	1,461	30	-	113	1,604
Transportation	-	-	-	-	-	-	-	-	-	151	151
Debt service:											
Principal retirement	-	-	-	-	505	-	-	-	-	-	505
Interest	-	-	-	-	68	122	-	-	-	-	190
Capital outlay:											
Neighborhood business development	78	-	-	-	-	-	-	-	-	-	78
Library	-	1,054	-	-	-	-	-	-	-	-	1,054
Recreation and youth services	-	1,629	-	-	-	-	-	-	-	-	1,629
Total expenditures	78	2,683	-	1,693	15,077	15,215	2,275	1,594	-	318	38,933
Excess (deficiency) of revenues over (under) expenditures	(32)	(2,683)	-	(84)	788	3,318	208	112	67	1,431	3,125
OTHER FINANCING SOURCES (USES)											
Capital contributions	-	-	-	-	-	-	-	-	-	45	45
Transfers in	-	765	-	-	-	61	-	-	-	-	826
Transfers out	(158)	(95)	(183)	-	(765)	(3,675)	(304)	(364)	-	(1,322)	(6,866)
Total other financing sources (uses)	(158)	670	(183)	-	(765)	(3,614)	(304)	(364)	-	(1,277)	(5,995)
Net change in fund balances	(190)	(2,013)	(183)	(84)	23	(296)	(96)	(252)	67	154	(2,870)
Fund balances - beginning	3,202	2,614	183	527	11	8,543	2,575	2,162	5,144	2,092	27,053
Fund balances - ending	$ 3,012	$ 601	$ -	$ 443	$ 34	$ 8,247	$ 2,479	$ 1,910	$ 5,211	$ 2,246	$ 24,183

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

THE CITY OF ROCHESTER, NEW YORK
SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 (000's Omitted)

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and cash equivalents	$ 23,587	$ 20,751	$ 25,382	$ 18,956
Receivables (net of allowance for uncollectibles)	219	3,470	3,474	215
Total assets	23,806	24,221	28,856	19,171
LIABILITIES				
Accounts payable and other accrued liabilities	23,806	12,554	17,189	19,171
Total liabilities	$ 23,806	$ 12,554	$ 17,189	$ 19,171

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 78

These schedules contain trend information to help the reader understand how the government's Financial performance and well-being have changed over time.

Revenue Capacity 85

These schedules contain information to help the reader assess the government's most significant Local revenue source, the property tax.

Debt Capacity 89

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 94

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 96

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.

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ 421,921	$ 449,840	$ 462,204	$ 441,242	$ 488,181	$ 530,636	$ 591,596	$ 552,846	$ 547,613	$ 597,794
Restricted	136,012	129,193	95,283	127,030	121,987	122,365	95,632	83,543	168,975	120,328
Unrestricted	41,326	18,451	5,534	(9,910)	(44,890)	(72,804)	(108,146)	(102,121)	(157,296)	(229,839)
Total governmental activities net position	$ 599,259	$ 597,484	$ 563,021	$ 558,362	$ 565,278	$ 580,197	$ 579,082	$ 534,268	$ 559,292	$ 488,283
Business-type activities										
Net investment in capital assets	$ 155,974	$ 144,262	$ 153,257	$ 158,705	$ 170,659	$ 172,913	$ 191,986	$ 183,329	$ 187,190	$ 211,529
Restricted	17,959	31,161	27,778	33,854	27,430	43,136	32,536	21,454	18,456	16,722
Unrestricted	5,649	4,250	2,379	2,105	5,895	(1,803)	(6,556)	10,365	11,781	5,770
Total business-type activities net position	$ 179,582	$ 179,673	$ 183,414	$ 194,664	$ 203,984	$ 214,246	$ 217,966	$ 215,148	$ 217,427	$ 234,021
Primary government										
Net investment in capital assets	$ 577,895	$ 594,102	$ 615,461	$ 599,947	$ 658,840	$ 703,549	$ 783,582	$ 736,175	$ 734,803	$ 809,323
Restricted	153,971	160,354	123,061	160,884	149,417	165,501	128,168	104,997	187,431	137,050
Unrestricted	46,975	22,701	7,913	(7,805)	(38,995)	(74,607)	(114,702)	(91,756)	(145,515)	(224,069)
Total primary government net position	$ 778,841	$ 777,157	$ 746,435	$ 753,026	$ 769,262	$ 794,443	$ 797,048	$ 749,416	$ 776,719	$ 722,304

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 46,516	$ 54,702	$ 61,690	$ 75,552	$ 67,301	$ 82,702	$ 95,832	$ 102,200	$ 119,387	$ 154,138
Police	90,509	111,195	113,896	124,310	123,793	126,085	133,107	128,413	143,722	143,880
Fire	57,330	68,391	69,551	68,041	69,232	69,949	71,028	69,022	82,560	78,226
Emergency communications	11,988	14,437	14,798	15,222	16,416	16,966	17,765	19,281	23,218	22,853
Transportation	27,618	31,630	31,244	25,468	23,380	21,312	14,946	8,098	4,094	8,982
Environmental services	21,204	21,768	26,268	31,904	33,166	34,574	43,954	36,819	43,419	45,366
Recreation & youth services	20,815	21,754	24,886	15,406	20,311	10,355	17,743	18,225	18,818	18,069
Library	10,795	12,121	12,419	12,324	12,387	12,723	12,161	13,143	13,958	13,878
Neighborhood business development	29,907	35,265	34,423	33,595	34,379	38,726	41,930	34,908	41,888	43,480
Interest on long-term debt	4,041	4,500	8,060	6,049	3,872	3,644	3,445	3,071	3,664	4,596
Education	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100
Ferry	-	-	21,259	-	-	-	-	-	-	-
Total governmental activities expenses	439,823	494,863	537,594	526,971	523,337	536,136	571,011	552,280	613,828	652,568
Business-type activities:										
Water	25,654	28,797	28,571	28,505	27,632	28,499	31,089	31,960	33,206	31,348
War memorial	3,209	3,337	3,219	3,005	2,992	2,821	2,757	2,590	2,696	2,526
Parking	5,611	6,155	5,443	6,343	5,163	7,634	7,195	11,463	7,580	17,039
Cemetery	2,252	2,516	2,075	1,953	1,789	2,398	1,770	2,118	3,016	2,679
Public market	765	754	825	922	1,276	555	1,054	1,557	789	899
Refuse	22,252	23,685	22,682	22,496	24,602	24,800	26,603	26,637	27,383	26,850
Port of Rochester	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	59,743	65,244	62,815	63,224	63,454	66,707	70,468	76,325	74,670	81,341
Total primary government expenses	$ 499,566	$ 560,107	$ 600,409	$ 590,195	$ 586,791	$ 602,843	$ 641,479	$ 628,605	$ 688,498	$ 733,909
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 7,992	$ 8,372	$ 8,968	$ 10,222	$ 10,987	$ 13,121	$ 15,681	$ 10,500	$ 40,648	$ 69,563
Police	6,473	7,102	6,677	7,560	8,062	8,234	6,989	9,084	10,961	6,470
Fire	1,100	1,006	764	1,195	887	809	843	1,268	1,860	2,185
Emergency communications	11,074	10,789	11,011	12,353	13,113	13,345	15,896	14,473	17,220	16,474
Transportation	818	828	915	820	386	942	975	970	940	1,048
Environmental services	18,640	17,294	19,719	20,969	21,713	20,663	22,959	18,511	19,058	19,552
Recreation & youth services	2,067	2,005	2,201	2,228	3,322	2,280	1,864	1,589	1,243	1,196
Library	2,365	2,579	2,778	2,456	2,933	3,112	3,202	2,603	2,729	2,455
Neighborhood business development	3,624	4,294	4,013	5,637	3,491	4,720	4,090	4,529	3,740	3,681
Operating grants and contributions	34,382	41,140	40,208	37,290	33,162	37,669	37,318	31,754	70,831	38,495
Capital grants and contributions	15,992	19,452	11,452	11,366	15,984	20,851	45,201	23,008	30,137	19,769
Total governmental activities program revenues	104,527	114,861	108,706	112,096	114,040	125,746	155,018	118,289	199,367	180,888

C ontinued

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

C ontinued

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Water	$ 32,513	$ 33,641	$ 33,531	$ 34,241	$ 33,018	$ 32,995	$ 34,538	$ 35,988	$ 37,705	$ 36,579
Parking	4,108	3,835	3,892	2,879	3,139	4,437	9,040	9,805	10,899	11,823
War memorial	1,515	1,541	1,442	1,460	1,781	1,452	1,406	1,571	1,586	1,342
Refuse	22,506	23,436	24,804	25,110	24,817	24,452	26,001	25,724	25,534	25,675
Cemetery	1,665	1,399	1,195	1,147	1,117	1,062	1,232	1,370	1,767	1,557
Public market	543	575	608	642	675	749	716	730	774	824
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	115
Capital grants and contributions	-	-	-	511	4,994	905	1,754	-	-	20,578
Total business-type activities program revenues	62,850	64,427	65,472	65,990	69,541	66,052	74,687	75,188	78,265	98,493
Total primary government program revenues	$ 167,377	$ 179,288	$ 174,178	$ 178,086	$ 183,581	$ 191,798	$ 229,705	$ 193,477	$ 277,632	$ 279,381
Net (expense)/revenue										
Governmental activities	$ (335,296)	$ (380,002)	$ (428,888)	$ (414,875)	$ (409,297)	$ (410,390)	$ (415,993)	$ (433,991)	$ (414,461)	$ (471,680)
Business-type activities	3,107	(817)	2,657	2,766	6,087	(655)	4,219	(1,137)	3,595	17,152
Total primary government net expense	$ (332,189)	$ (380,819)	$ (426,231)	$ (412,109)	$ (403,210)	$ (411,045)	$ (411,774)	$ (435,128)	$ (410,866)	$ (454,528)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 131,917	$ 137,278	$ 139,276	$ 136,921	$ 141,531	$ 141,319	$ 146,544	$ 146,698	$ 147,218	$ 148,913
Sales taxes	118,000	122,240	120,518	130,865	122,077	123,392	129,467	135,941	136,409	140,551
Payment in-lieu of tax	-	-	-	-	-	10,903	11,068	10,755	4,672	11,525
Other taxes	28,007	26,893	28,860	28,725	25,711	13,251	13,897	12,654	12,691	8,527
Governmental aid - (unrestricted)	77,604	79,149	91,402	105,188	131,431	108,437	106,069	104,323	120,271	104,821
Investment earnings	3,126	5,971	8,124	7,143	3,228	2,938	781	1,499	4	1,401
Miscellaneous	4,272	2,019	1,566	2,290	2,330	1,492	1,519	2,062	12,846	4,845
Transfers	4,427	4,677	4,679	(916)	4,593	11,441	5,533	3,697	5,374	5,374
Total governmental activities	367,353	378,227	394,425	410,216	430,901	413,173	414,878	417,629	439,485	425,957
Business-type activities:										
Taxes										
Property taxes	2,024	2,024	2,658	3,876	3,379	5,557	2,142	2,330	1,998	2,224
Other taxes	985	905	905	905	1,131	905	1,131	679	905	905
Governmental aid	34	-	18	125	1,133	157	11	160	7	433
Investment earnings	426	1,257	737	1,180	711	793	308	401	57	174
Miscellaneous	1,408	1,399	1,445	1,482	1,472	1,480	1,442	1,616	1,091	1,080
Gain on Sale of land	-	-	-	-	-	13,466	-	-	-	-
Transfers	(4,427)	(4,677)	(4,679)	916	(4,593)	(11,441)	(5,533)	(3,574)	(5,374)	(5,374)
Total business-type activities	450	908	1,084	8,484	3,233	10,917	(499)	1,612	(1,316)	(558)
Total primary government	$ 367,803	$ 379,135	$ 395,509	$ 418,700	$ 434,134	$ 424,090	$ 414,379	$ 419,241	$ 438,169	$ 425,399
Change in Net Position										
Governmental activities	$ 32,057	$ (1,775)	$ (34,463)	$ (4,659)	$ 21,604	$ 2,783	$ (1,115)	$ (16,362)	$ 25,024	$ (45,723)
Business-type activities	3,557	91	3,741	11,250	9,320	10,262	3,720	475	2,279	16,594
Total primary government	$ 35,614	$ (1,684)	$ (30,722)	$ 6,591	$ 30,924	$ 13,045	$ 2,605	$ (15,887)	$ 27,303	$ (29,129)

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Property tax	$ 133,941	$ 139,302	$ 141,934	$ 140,797	$ 144,910	$ 146,876	$ 148,686	$ 149,028	$ 149,216	$ 151,137
Sales tax	118,000	122,240	120,518	130,865	122,077	123,392	129,467	135,941	136,409	140,551
Payment in-lieu of tax	-	-	-	-	-	10,903	11,068	10,755	4,672	11,525
Other taxes	28,992	27,798	29,765	29,630	26,842	14,156	15,028	13,333	13,596	9,432
Total taxes	$ 280,933	$ 289,340	$ 292,217	$ 301,292	$ 293,829	$ 295,327	$ 304,249	$ 309,057	$ 303,893	$ 312,645

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	$ 10,938	$ 11,726	$ 13,435	$ 20,283	$ 21,033	$ 20,679	$ -	$ -	$ -	$ -
Unreserved	7,819	8,002	8,244	8,376	8,526	13,291	-	-	-	-
Nonspendable	-	-	-	-	-	-	6,248	6,641	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	40,457	38,623	35,223	47,835
Assigned	-	-	-	-	-	-	15,998	15,686	28,540	27,923
Unassigned	-	-	-	-	-	-	4,920	4,860	4,870	5,152
Unallocated	-	-	-	-	-	-	-	-	-	-
Total general fund	18,757	19,728	21,679	28,659	29,559	33,970	67,623	65,810	68,633	80,910
All other governmental funds										
Reserved	117,199	88,082	119,321	122,450	133,568	137,407	-	-	-	-
Unreserved, designated										
for subsequent yr's expenditures	-	-	577	661	2,028	462	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,908	10,209	5,124	3,070	3,987	7,119	-	-	-	-
Capital projects funds	(28,106)	24,746	20,226	14,641	(1,260)	15,631	-	-	-	-
Permanent funds	5,860	6,050	6,360	6,484	6,621	6,744	-	-	-	-
Nonspendable, reported in:										
Other governmental funds	-	-	-	-	-	-	6,845	-	-	-
Restricted, reported in:										
Debt service funds	-	-	-	-	-	-	6,216	4,037	11,653	8,689
Capital projects funds	-	-	-	-	-	-	453	-	1,066	-
Special revenue/Community Development funds	-	-	-	-	-	-	4,870	3,655	9,051	4,798
Other governmental funds	-	-	-	-	-	-	9,589	9,810	4,737	4,389
Committed, reported in:										
Capital projects funds	-	-	-	-	-	-	60,095	63,185	119,042	81,463
Special revenue/Community Development funds	-	-	-	-	-	-	5	1,057	5,372	5,473
Other governmental funds	-	-	-	-	-	-	1,942	6,445	11,143	8,824
Assigned, reported in:										
Debt service funds	-	-	-	-	-	-	13,484	13,716	15,281	15,615
Capital projects funds	-	-	-	-	-	-	1,877	581	859	677
Other governmental funds	-	-	-	-	-	-	8,473	9,304	11,173	10,970
Unassigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	(8,959)	-	-
Other governmental funds	-	-	-	-	-	-	-	(369)	-	-
Total all other governmental funds	96,861	129,087	151,608	147,306	144,944	167,363	113,849	102,462	189,377	140,898
Total all governmental funds	$ 115,618	$ 148,815	$ 173,287	$ 175,965	$ 174,503	$ 201,333	$ 181,472	$ 168,272	$ 258,010	$ 221,808

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Real property tax	$ 131,724	$ 135,751	$ 138,081	$ 135,851	$ 144,594	$ 141,446	$ 144,393	$ 148,055	$ 149,507	$ 148,791
Sales tax	147,468	149,934	150,620	159,940	149,616	123,338	128,995	135,407	136,332	140,227
Other taxes	-	-	-	-	-	24,983	24,965	23,409	17,363	20,052
Departmental	36,478	36,408	39,498	43,404	43,530	46,105	47,937	39,967	44,367	43,371
Interest on investments	-	-	-	-	-	-	-	-	3	-
Use of money and property	3,633	6,840	9,139	7,896	4,254	3,316	872	1,264	9,121	766
Licenses and permits	2,269	2,636	2,289	2,676	2,384	2,693	2,785	3,157	3,141	3,384
Federal aid	32,379	39,925	33,671	27,514	26,132	33,934	47,968	33,442	49,122	37,067
State aid	85,001	86,796	97,714	111,542	143,471	123,231	133,325	117,404	133,952	115,867
Local sources and other	28,868	28,103	26,388	32,677	29,587	28,597	30,220	31,127	37,444	32,771
Ferry	-	-	19,287	-	-	-	-	-	-	-
Total revenues	467,820	486,393	516,687	521,500	543,568	527,643	561,460	533,232	580,352	542,296
Expenditures										
Council and clerk	1,478	1,462	1,634	1,698	1,674	1,726	-	-	-	-
Administration	9,043	9,492	10,062	11,201	11,047	8,660	-	-	-	-
Law	1,816	1,752	1,743	1,865	1,898	1,757	-	-	-	-
Information technology	-	-	-	4,021	3,579	3,786	-	-	-	-
Finance	7,198	7,449	7,607	5,131	5,180	4,066	-	-	-	-
Neighborhood business development	21,911	28,195	27,015	26,527	21,600	33,971	33,678	29,833	33,489	37,985
Economic development	1,482	1,530	1,560	1,226	1,545	-	-	-	-	-
Environmental services	29,670	28,987	32,306	34,191	36,082	35,844	30,272	23,213	25,262	28,498
Library	9,894	10,099	10,316	10,361	10,687	11,029	11,220	10,602	10,708	11,030
Police	63,202	67,272	69,471	78,057	77,775	78,253	84,121	83,279	85,061	87,439
Fire	39,316	40,300	40,909	41,231	42,412	42,297	42,594	42,655	48,212	46,560
Emergency communications	8,360	8,682	8,943	9,419	10,189	10,493	11,194	12,164	14,853	12,906
Recreation & youth services	16,031	16,690	15,961	13,971	12,967	9,264	11,833	11,581	9,489	11,394
Undistributed	77,583	83,520	82,340	83,619	89,894	89,924	-	-	-	-
Education (Allocation to school district)	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100
Capital projects	47,769	54,165	43,907	57,219	58,057	72,363	-	-	-	-
Debt service:										
Principal retirement	14,819	12,512	15,877	34,069	37,620	15,125	16,149	14,269	12,450	17,389
Interest	4,082	3,919	7,822	6,629	4,476	3,184	3,850	3,138	3,247	4,715
Administrative charges	-	-	-	-	-	-	204	27	124	16
General government	-	-	-	-	-	-	118,204	124,998	135,018	124,930
Transportation	-	-	-	-	-	-	5,814	5,438	5,311	5,211
Capital outlay:										
General government	-	-	-	-	-	-	71,601	44,599	42,618	45,704
Police	-	-	-	-	-	-	-	-	133	736
Fire	-	-	-	-	-	-	-	-	9	98
Transportation	-	-	-	-	-	-	14,193	19,474	19,215	20,124
Recreation & youth services	-	-	-	-	-	-	3,530	753	920	1,673
Environmental services	-	-	-	-	-	-	-	1,471	5,878	5,577
Library	-	-	-	-	-	-	1,717	755	1,067	1,054
Neighborhood business development	-	-	-	-	-	-	659	352	221	78
Total expenditures	472,754	495,126	496,573	539,535	545,782	540,842	579,933	547,701	572,385	582,217
Excess of revenues over (under) expenditures	(4,934)	(8,733)	20,114	(18,035)	(2,214)	(13,199)	(18,473)	(14,469)	7,967	(39,921)
Other financing sources (uses)										
Transfers in	63,068	65,932	61,804	80,600	88,831	81,231	84,914	58,941	-	35,378
Transfers out	(61,887)	(66,538)	(57,446)	(84,400)	(88,079)	(71,164)	(88,118)	(57,623)	(54,497)	(31,704)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(11,055)	-
Premium on refunding bond issued	-	-	-	-	-	-	-	-	708	-
Refunding bonds issued	-	-	-	-	-	-	-	-	10,450	-
Transfers from other funds	-	-	-	-	-	-	-	-	55,011	-
Proceeds of general obligation debt (capital projects)	-	42,536	-	24,513	-	29,962	1,767	-	81,154	-
Capital contributions	-	-	-	-	-	-	-	-	-	45
Total other financing sources (uses)	1,181	41,930	4,358	20,713	752	40,029	(1,437)	1,318	81,771	3,719
Net change in fund balances	$ (3,753)	$ 33,197	$ 24,472	$ 2,678	$ (1,462)	$ 26,830	$ (19,910)	$ (13,151)	$ 89,738	$ (36,202)
Debt service as a percentage of noncapital expenditures	4.45%	3.73%	5.24%	8.44%	8.63%	3.72%	3.79%	3.48%	2.98%	4.10%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Property tax	$ 131,724	$ 135,751	$ 138,081	$ 135,851	$ 144,594	$ 141,446	$ 144,393	$ 148,055	$ 149,507	$ 148,791
Sales tax	147,468	149,934	150,620	159,940	149,616	123,338	128,995	135,407	136,332	140,227
Other taxes	-	-	-	-	-	24,983	24,965	23,409	17,363	20,052
Total taxes	$ 279,192	$ 285,685	$ 288,701	$ 295,791	$ 294,210	$ 289,767	$ 298,353	$ 306,871	$ 303,202	$ 309,070

Sales tax included other taxes up through 2009

THE CITY OF ROCHESTER, NEW YORK
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
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
2014	5,882,907	48,443	5,931,350	5,976,135	6,024,586	98.45%	2.84%	19.65	42.04

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

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

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

Fiscal Year		City of Rochester			Overlapping Rate	Total Direct & Overlapping Rate
		General Municipal Purposes	School Purposes	Total Direct Rate	Monroe County (1)	
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
2014	Homestead	5.70	13.95	19.65	9.20	28.85
	Nonhomestead	12.09	29.95	42.04	9.20	51.24

(1) Source: Monroe County Treasury

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

THE CITY OF ROCHESTER, NEW YORK
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS PRIOR
JUNE 30, 2014
(000's Omitted)

	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rochester Gas and Electric	$ 618,109	1	10.51%	$ 394,582	1	7.82%
Frontier Telephone Corp.	75,268	2	1.28%	77,023	3	1.53%
Eastman Kodak Co.	65,095	3	1.11%	119,113	2	2.36%
Buckingham Properties	63,127	4	1.07%	-	-	-
CSX (Conrail)	25,097	5	0.43%	15,415	8	0.31%
Clinton Asset Holding	25,000	6	0.42%	-	-	-
Maguire Family Properties	20,414	7	0.35%	14,101	9	0.28%
JP Morgan/Chase (Chase Manhattan)	18,621	8	0.32%	21,709	6	0.43%
NK-TCC Property, LLC	16,296	9	0.28%	-	-	-
AP/AIM Rochester Hotel, LLC	14,800	10	0.25%	-	-	-
Samloff/Glazer	-	-	-	26,838	4	0.53%
Pioneer/City Center	-	-	-	23,081	5	0.46%
Xerox	-	-	-	17,250	7	0.34%
Landsman Development Corp.	-	-	-	13,796	10	0.27%
Totals	$ 941,827		16.01%	$ 722,908		14.34%

Note:
1) The total taxable assessed value of $5,882,907,153 was used for fiscal year 2013-14 taxes.
2) The total taxable assessed value of $5,042,827,983 was used for fiscal year 2004-05 taxes.

Source: Assessment Roll of the City of Rochester

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Cancellations and/or Adjustments to Tax Levy (3)	Outstanding Delinquent Taxes (Cumulative)	Percentage of Outstanding Delinquent Taxes to Total Tax
		Amount	Percentage of Levy		Amount (2)	Percentage of Levy			
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%	8,774	183,676	96.52%	2,832	28,448	14.95%
2009	196,088	181,218	92.42%	7,826	189,044	96.41%	4,220	20,890	10.65%
2010	197,219	182,281	92.43%	8,980	191,261	96.98%	1,182	21,084	10.69%
2011	201,211	185,325	92.10%	9,306	194,631	96.73%	5,833	17,189	8.54%
2012	205,558	189,505	92.19%	9,667	199,172	96.89%	1,940	17,492	8.51%
2013	206,013	190,291	92.37%	8,565	198,856	96.53%	1,347	17,596	8.54%
2014	206,188	191,616	92.93%	N/A	191,616	92.93%	697	21,197	10.28%

Notes:

(1) Tax exempt properties with an assessed value of $487,158,350 made payments in lieu of taxes amounting to $11,438,929 for the fiscal year ending June 30, 2014. If these properties had been fully taxable, total revenues would have increased by $8,440,084. 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			
Fiscal Year	General Obligation Bonds	General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2005	52,694	62,672	115,366	1.52%	550
2006	84,025	66,223	150,248	1.91%	722
2007	69,538	59,402	128,940	1.57%	624
2008	80,992	76,805	157,797	1.82%	763
2009	65,928	69,611	135,539	1.59%	654
2010	82,246	70,531	152,777	1.73%	725
2011	67,864	63,367	131,231	1.40%	622
2012	53,595	56,065	109,660	1.13%	521
2013	130,780	87,291	218,071	2.15%	1,036
2014	112,686	78,000	190,686	1.88%	906

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).

3) Current year population and per capita income not available. 2013 figures were used for 2014 calculations.

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

Fiscal Year	Total Primary Government General Obligation Bonds	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita (1)
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
2014	190,686	27,977	162,709	2.77%	773

Notes:
1) Population figures for 2005 - 2013 are from US Census Bureau www.quickfacts.census.gov , current year data unavailable.
2013 population figure used for 2014.

THE CITY OF ROCHESTER, NEW YORK
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2014
(000's Omitted)

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Rochester	Amount Applicable to City of Rochester
City of Rochester	$ 112,686	100.00%	$ 112,686
County of Monroe (1)	357,657	14.81%	52,969
Total	$ 470,343		$ 165,655

(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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 450,269	$ 461,655	$ 469,406	$ 515,947	$ 522,808	$ 522,785	$ 529,676	$ 530,872	$ 529,709	$ 532,221
Total net debt applicable to limit	304,616	316,237	313,025	328,185	350,662	338,141	320,038	311,105	331,979	323,825
Legal debt margin	$ 145,653	$ 145,418	$ 156,381	$ 187,762	$ 172,146	$ 184,644	$ 209,638	$ 219,767	$ 197,730	$ 208,396
Total net debt applicable to the limit as a percentage of debt limit	67.65%	68.50%	66.69%	63.61%	67.07%	64.68%	60.42%	58.60%	62.67%	60.84%

Legal Debt Margin Calculation for Fiscal Year 2014

Indebtedness			
Borrowings (Bonds and Notes)	$ 384,227	(1)	
Contract liabilities	-	(2)	$ 384,227
Deductions and Exclusions			
Water Bonds and Notes	59,081	(3)	
Sanitary Sewer Bonds and Notes	-	(3)	
Appropriation	-	(4)	
Cash and cash equivalents	1,321	(5)	60,402
Net indebtedness			323,825
Debt limit (9% of five-year average full valuation)			532,221
Debt Contracting Margin			$ 208,396

Continued

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

Continued

Notes:

(1) Represents all bond and note debt of the City. Includes water and sewer debt -- listed above under "Deductions and Exclusions".

(2) Represents amounts due pursuant to contracts for capital improvements or the acquisition of equipment guaranteed by the CIty and listed under "Deductions and Exclusions".

(3) Amounts excluded pursuant to Article VIII, Section 5 of State Constitution and Section 136.00 of Local Finance Law.

(4) Represents outstanding indebtedness not otherwise excluded to the extent current budgetary appropriation, not yet realized as cash, may be applied to pay such indebtedness. Excluded pursuant to Section 136.00 of the Local Finance Law.

(5) Represents cash on hand to pay principal of outstanding indebtedness not otherwise excluded, and investment of such cash at market value. The source of funds represents: (a) federal grants for projects already bonded; (b) proceeds of bonds and notes to pay outstanding contract liabilities; and (c) proceeds of notes available to pay principal of notes to the extent contracts to be financed with such proceeds were not consummated. The debt is excluded pursuant to Section 136.00 of Local Finance Law.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population (1)	209,662	208,123	206,759	206,886	207,294	210,565	210,855	210,515	210,358	N/A
Total Personal Income Monroe County (2)	$ 26,683,934	$ 27,942,270	$ 29,342,918	$ 31,044,653	$ 30,547,345	31,181,338	33,153,011	34,478,067	36,102,780	N/A
Per Capita Personal Income Monroe County (2)	$ 36,132	$ 37,845	$ 39,693	$ 41,895	$ 41,092	41,878	44,385	46,105	48,162	N/A
School District Enrollment (3)	33,055	33,380	32,586	32,718	32,132	31,511	31,247	30,734	29,523	29,103
Unemployment Rate (4)	6.0%	5.9%	5.9%	7.4%	10.3%	10.8%	10.4%	10.7%	9.5%	8.3%
Employed (4)	90,300	88,800	88,100	87,600	84,800	84,100	84,000	83,800	84,100	83,500

Source:
1) 2005 - 2013 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable.
2) US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov). Current year data unavailable.
3) Rochester City School District (www.rcsdk12.org).
4) www.labor.state.ny.us (Average rates computed through October 2014) for City of Rochester.

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

	2014			2005		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment (2)
University of Rochester/Strong Memorial Hospital	21,881	1	4.25%	16,565	1	3.10%
Wegmans Food Markets Inc.	13,843	2	2.69%	14,897	3	2.79%
Rochester General Health System (ViaHealth)	8,100	3	1.57%	6,565	5	1.23%
Xerox Corporation	5,617	4	1.09%	8,325	4	1.56%
Unity Health System	5,358	5	1.04%	4,716	6	0.88%
Paychex	3,819	6	0.74%	-	-	-
Lifetime Healthcare Cos. Inc.	3,749	7	0.73%	3,642	7	0.68%
Eastman Kodak Company	3,429	8	0.67%	16,300	2	3.05%
Sutherland Global Services Inc.	3,364	9	0.65%	-	-	-
Rochester Institute of Technology	3,259	10	0.63%	2,802	8	0.52%
Delphi Corporation	-	-	-	2,350	9	0.44%
Tops Markets LLC	-	-	-	2,307	10	0.43%

(1) Source: Rochester Business Journal The Lists - 2014 Edition.
(2) Employment source: www.labor.state.ny.us employment data as of 12/31/13
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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Council and Clerk	27.2	27.2	27.2	27.2	27.2	26.7	26.7	25.7	23.1	23.1
Administration	191.1	188.8	184.3	218.8	208.3	138.9	136.1	92.5	92.9	93.5
Information Technology	-	-	-	54.0	43.6	47.6	48.5	49.5	49.6	54.2
Finance	138.3	138.8	138.6	97.4	94.4	107.0	106.4	95.9	102.6	106.9
Neighborhood & Business Development (1)	-	-	-	-	-	154.5	153.2	140.0	137.6	138.2
Community Development	98.5	97.9	96.6	94.7	90.8	-	-	-	-	-
Economic Development	25.7	24.7	22.8	21.9	20.8	-	-	-	-	-
Environmental Services	733.3	731.3	736.2	738.7	728.2	716.1	712.6	684.7	679.2	682.1
Emergency Communications	182.9	186.4	187.6	192.6	192.6	198.6	196.7	234.8	231.6	231.7
Police	912.1	909.1	923.8	984.1	989.5	958.9	963.3	930.7	940.0	939.0
Fire	568.3	565.5	562.5	554.2	537.9	534.9	525.2	513.4	518.2	527.2
Library	182.0	178.3	172.9	172.9	169.7	166.6	168.4	154.3	146.2	142.2
Recreation & Youth Services	295.2	295.4	277.4	199.3	195.4	194.8	192.4	198.9	188.0	198.1
Total	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	3,136.2

Full-time Employees
Last Ten Fiscal Years

City	3,003	2,984	2,963	2,963	2,893	2,840	2,801	2,719	2,703	2,714
School District	5,864	5,825	6,099	6,073	6,296	6,053	5,579	5,256	5,365	5,221
Total	8,867	8,809	9,062	9,036	9,189	8,893	8,380	7,975	8,068	7,935

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Estimated 2014
Emergency Communications										
Calls received	1,148,793	1,210,515	1,104,893	1,092,231	1,060,971	1,050,971	1,083,485	1,132,135	1,175,338	1,200,000
Police										
Calls for service	461,855	406,141	413,820	465,268	395,883	416,876	411,421	403,312	388,602	399,660
Reported crimes	38,212	30,404	47,369	30,907	41,593	44,296	45,576	30,119	31,962	31,680
Fire										
Unit responses	45,003	46,652	52,548	53,226	53,226	47,539	46,553	42,112	43,700	43,800
Refuse										
Residential accounts	52,476	53,015	52,690	52,560	52,337	52,340	52,408	52,030	52,446	51,277
Commercial accounts	2,638	2,641	2,625	2,650	2,672	2,663	2,478	2,416	2,386	2,393
Total tonnage	116,054	113,636	109,835	109,258	106,687	104,282	104,886	100,819	100,000	106,200
Residential cost per ton	$105.14	$100.50	$108.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Commercial cost per ton	$151.81	$168.77	$169.31	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
Millions of gallons per day:										
Filtration plant production	34.50	35.58	38.46	36.35	37.29	37.00	37.00	36.40	37.60	37.40
City water demand	30.15	29.59	30.55	30.44	28.90	27.86	28.32	27.33	27.80	28.20
Library										
Total circulation	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	1,362,970
Parking										
Total parking spaces	11,953	11,743	11,637	11,165	8,926	11,008	10,887	10,642	10,642	10,642
Annual car counts	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	2,571,280
Parks and Recreation										
Convention Center attendance	325,000	363,004	274,000	278,845	279,618	279,618	241,951	244,575	250,000	260,000
War Memorial/Blue Cross Arena										
Total attendance	498,741	437,051	536,927	472,428	509,644	366,828	460,672	583,412	594,864	429,000

Source: City of Rochester Budget & Departments

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Miles of streets	539	539	539	539	540	540	540	540	532	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	15	15	15	15	15	15	15	16
City-owned street lights 1)	10,936	15,037	15,348	15,673	16,400	16,500	27,849	27,800	28,000	28,100
Fire hydrants	7,287	7,287	7,287	7,287	7,287	7,686	7,686	7,843	7,634	7,638

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.

FEDERAL AWARDS

FreedMaxick CPAs, P.C.

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 units, 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, 2014, 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 18, 2014.

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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 18, 2014

FreedMaxick CPAs, P.C.

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, 2014. 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 $91,085,001 in federal awards which is not included in the schedule during the year ended June 30, 2014. 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, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is 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 compliance and, accordingly, we express no opinion on the response.

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 18, 2014

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

	Grant Number	CFDA Number	Expenditures
AMERICAN RECOVERY AND REINVESTMENT ACT			
University Ave. Artwalk	---	20.205	$ 265,873
Justice Assistance Grant	2009-SB-B9-0612	16.804	67,095
DEPT. OF HOUSING AND URBAN DEVELOPMENT:			
CDBG PY 2005	B-05-MC-36-0003	14.218	90,519
CDBG PY 2006	B-06-MC-36-0003	14.218	67,673
CDBG PY 2007	B-07-MC-36-0003	14.218	34,547
CDBG PY 2008	B-08-MC-36-0003	14.218	344,757
CDBG PY 2009	B-09-MC-36-0003	14.218	86,648
CDBG PY 2010	B-10-MC-36-0003	14.218	1,425,034
CDBG PY 2011	B-11-MC-36-0003	14.218	1,383,886
CDBG PY 2012	B-12-MC-36-0003	14.218	1,723,129
CDBG PY 2013	B-13-MC-36-0003	14.218	4,195,079
Section 108 Loan Program	B-12-MC-36-0003	14.248	11,023,923
Emergency Shelter	S-11-MC-36-0006	14.231	18,460
Emergency Shelter	S-12-MC-36-0006	14.231	335,361
Emergency Shelter	E-13-MC-36-0005	14.231	322,140
Home Program 2004	M-04-MC-36-0504	14.239	1,356
Home Program 2006	M-06-MC-36-0504	14.239	60,288
Home Program 2007	M-07-MC-36-0504	14.239	250,119
Home Program 2008	M-08-MC-36-0504	14.239	28,857
Home Program 2009	M-09-MC-36-0504	14.239	10,808
Home Program 2010	M-10-MC-36-0504	14.239	117,634
Home Program 2011	M-11-MC-36-0504	14.239	788,464
Home Program 2012	M-12-MC-36-0504	14.239	503,197
Home Program 2013	M-13-MC-36-0504	14.239	826,706
Lead Hazard Control Grant LED04	NYLHD0457-09	14.900	69,089
Lead Hazard Control Grant LED05	NYLHD0247-12	14.905	1,364,800
Neighborhood Stabilization Program (Pass thru NYS-HCR)	1028	14.228	355,388
HOPWA	N-YH-11-F003	14.241	4,993
HOPWA	N-YH-12-F003	14.241	112,766
HOPWA	N-YH-13-F003	14.241	602,356
U.S. DEPARTMENT OF COMMERCE			
EDA - Midtown Transportation Infrastructure	01-01-14085	11.300	1,882,651
EDA - Photech Redevelopment	01-01-14186	11.300	21,288
U.S. DEPARTMENT OF JUSTICE			
Justice Assistance Grant-6	2009-DJ-BX-0250	16.738	1,463
Justice Assistance Grant-7	2010-DJ-BX-1037	16.738	3,527
Justice Assistance Grant-8	2011-DJ-BX-2223	16.738	49,207
Justice Assistance Grant-9	2012-DJ-BX-0584	16.738	48,130
Justice Assistance Grant-10	2013-DJ-BX-1054	16.738	80,730
Smart Policing Initiative	2012-DB-BX-0004	16.751	85,100
COPS Methamphetamine Initiative	2009CKWX0098	16.710	9,028
PASS THROUGH FROM DCJS:			
Byrne Grant- Firearm Violence Prevention	C637133	16.738	99,942
Stop Violence Against Women 2013	C554645	16.588	41,331
Stop Violence Against Women 2014	C554646	16.588	32,738
PASS THROUGH FROM OFFICE OF VICTIMS SERVICES:			
Crime Victims Assistance 2012-2013	C-501131	16.575	59,738
Crime Victims Assistance 2013-2014	C-501131	16.575	154,280
PASS THROUGH FROM COUNTY OF MONROE:			
Grants to Encourage Arrest- Domestic Abuse Response Team	G240300012.1214	16.590	49,376
PASS THROUGH FROM RIT:			
Project Safe Neighborhoods- Pathways to Peace	2011-GP-BX-0087 Subaward 30998-01	16.609	25,949

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014
(Continued)

	Grant Number	CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
NYS DEPARTMENT OF TRANSPORTATION (Pass Through)			
Broad Street Tunnel - 4751.87	D011450	20.205	2,325,844
Port ITS and Security	D022323	20.205	137,775
Mt. Hope Ave. & E. Henrietta Road	D022408	20.205	4,536,758
Inner Loop Study Phase II	D017599	20.205	1,411,018
Ridgeway Avenue	D031733	20.205	1,060
Safe Routes to School	D032205	20.205	101,988
Dewey Driving Park	D034268	20.205	121,441
Lake Ave Merrill to Burley	D033366	20.205	32,419
Waring Road	D033327	20.205	99,707
Elmwood Ave Bridge	D033821	20.205	154,827
Jefferson Ave - Plymouth to W. Main	D033727	20.205	16,116
Rochester Bicycle Enhancements	D033491	20.205	219,659
Bicycle Trails	D033512	20.205	671,864
Plug In Hybrid Vehicle Charging Stations	D033978	20.205	200,000
Union Street PM Paving	D033834	20.205	161,355
AVL/ Weather Sensor ITS	D033478	20.205	306,933
Union St. PM Paving	D033834	20.205	260,800
Preventive Maintenance (Driving Park)	D033820	20.205	1,823
Preventive Maint (Genesee,Plymouth,Northland, Buffalo)	D033709	20.205	1,393,040
Preventive Maintenance (2 bridges)	D033704	20.205	457,569
Winton Road North	D033808	20.205	68,261
Inner Loop Sidewalk & Crosswalks	D033662	20.205	298,244
Joseph Ave Median Barrier	D034197	20.205	73,196
Selective Traffic Enf Program 2013	PD-00088-(028)	20.600	12,119
Child Passenger Safety Program 2013	PD-00078-(028)	20.613	105
Child Passenger Safety Program 2014	PD-00067-028	20.613	3,918
DWI Crackdown Grant (GTSC & County Pass Through)	G240500005.1314	20.600	12,585
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Brownfield Grant EPA-09	BF97254807	66.818	255,651
Brownfield Grant EPA-12	BF97219700	66.818	20,133
Brownfield Grant EPA-13	BF97207700	66.818	31,396
Brownfield Grant EPA-14	BF97207800	66.818	36
Brownfield Grant EPA-15	BF97207900	66.818	4,983
Brownfield Grant EPA-15	XP-97229801	66.818	363,432
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Substance Abuse	1-H79-SP13209-01	93.276	119,061
Federal Pregnancy Prevention Grant Yr 3 of 5 incl carryover	1-TP1AH000046-03-01	93.297	507,904
Federal Pregnancy Prevention Grant Yr 4 of 5 incl carryover	5-TP1AH000046-05-00	93.297	1,164,673

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014
(Continued)

	Grant Number	CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY			
2010 MMRS (PASS THROUGH NYS DHSES)	WM10834405	97.071	182,159
2011 MMRS (PASS THROUGH NYS DHSES)	WM11834415	97.071	164,479
2010 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM10153701	97.067	39,528
2012 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM12153721	97.067	1,043
2013 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM13153731	97.067	14,215
2011 HazMat (PASS THROUGH NYS DHSES)	WM11153719	97.067	112,051
LETPP-2011 (PASS THROUGH- NYS DHSES)	WM11153712	97.067	128,973
LETPP-2012 (PASS THROUGH- NYS DHSES)	WM12153722	97.067	50,159
LETPP-2013 (PASS THROUGH- NYS DHSES)	WM1384432	97.067	10,000
SHSP-2011 (PASS THROUGH- NYS DHSES)	WM11153710	97.067	84,529
SHSP-2012 (PASS THROUGH- NYS DHSES)	WM12153720	97.067	102,847
TACTICAL TEAM 2013 (PASS THROUGH- NYS DHSES)	WM13163339	97.067	19,525
UASI- 2009 (PASS THROUGH - NYS DHSES)	WM09153793	97.067	1,050
UASI- 2010 (PASS THROUGH- NYS DHSES)	WM10153703	97.067	834,872
2011 Canine Explosive Detection Grant (PASS THROUGH-NYS DI	WM11834419	97.067	38,877
2012 Canine Explosive Detection Grant (PASS THROUGH-NYS DI	WM12153729	97.067	12,515
AFG -2009 Rescue Vehicle & Other Equipment	EMW2009-FO-06588	97.044	55,210
AFG -2010 Generators/Bailout Equipment	EMW2010-FO-07097	97.044	682
SHSP-2010 (MONROE COUNTY PASS THROUGH)	C834400	97.067	168,132
U.S. DEPARTMENT OF EDUCATION			
PASS THROUGH (From NYS Dept. of Education)			
21st Century Grant RASA	0187-14-6124	84.287	37,889
U.S. DEPARTMENT OF AGRICULTURE:			
Summer Food Service (PASS THROUGH - NYS DOE)	36-079500	10.559	242,859
TOTAL CITY GRANTS			$ 46,974,710

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) 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, 2014. 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 Schedule 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 $69,700 in the 2014 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.

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____Yes	_X_No
• Significant deficiency(ies) identified?	____Yes	_X_None Reported
Noncompliance material to financial statements noted?	____Yes	_X_No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____Yes	_X_No
• Significant deficiency(ies) identified?	_X_Yes	____None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____Yes	_X_No

Identification of major programs:

Name of Federal Programs or Clusters	CFDA Number(s)
Section 108 Loan Program	14.248
Home Investment Partnerships Program	14.239
Investments for Public Works and Economic Development Facilities (EDA Grant)	11.300
Homeland Security Grant Program	97.067
Highway Research & Development Program (DOT grants)	20.205

Dollar threshold used to distinguish between type A and type B programs (3% of total federal awards)	$ 1,409,241	
Auditee qualified as low-risk auditee?	____Yes	_X_No

II. FINANCIAL STATEMENT FINDINGS

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

SIGNIFICANT DEFICIENCY

2014-001 Schedule of Expenditures of Federal Awards Reconciliation

Criteria: Management is responsible for the fair presentation of the City's Schedule of Expenditures of Federal Awards (the Schedule).

Condition: Upon reconciling the Department of Transportation (DOT) expenditures on the Schedule with the supporting documentation maintained by the City's Department of Environmental Services (DES), it was determined that approximately $2.3 million on the Schedule for the year ended June 30, 2014 was related to prior years' expenditures.

Context: The overstatement on the Schedule for the year ended June 30, 2014 was discovered by the auditor upon reconciling the accounting records of the City to the Schedule. However, it was determined that this would not have impacted the major program determination under OMB Circular A-133.

Effect: The Schedule for the year ended June 30, 2014 is overstated and prior years' Schedules were deemed to be understated.

Cause: Lack of internal controls over the reporting of DOT expenditures included on the Schedule and sufficient communication between DES and the Accounting Department of the City to assist in this reconciliation process.

Recommendation: We recommend that the City establish a reconciliation process as part of the City's internal control related to the Schedule to ensure accurate reporting of the federal expenditures included on the Schedule and the major program determination under OMB Circular A-133.

Management Response: We concur with the recommendation and are implementing a reconciliation process with the Department of Environmental Services to ensure the accuracy of the Schedule of Expenditures of Federal Awards.

I. 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 were 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 which 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 eliminated from the City's fixed asset listing in accordance with this agreement.

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

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

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

Status: There was no reoccurrence of this finding noted in the current year.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

STATE TRANSPORTATION AWARDS

FreedMaxick CPAs, P.C.

REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE OVER STATE TRANSPORTATION ASSISTANCE EXPENDED 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

Report On Compliance For Each Major State Assistance Transportation 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, 2014. The program tested is identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs for State Transportation Assistance Expended.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state transportation assistance program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the preliminary Draft Part 43 of NYCRR. Those standards and the preliminary Draft Part 43 of NYCRR 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 City'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, 2014.

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 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 the preliminary Draft Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the preliminary Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
December 18, 2014

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED JUNE 30, 2014

	Grant Number		Current Year
STATE OF NEW YORK:			
DEPARTMENT OF TRANSPORTATION:			
Broad Street Tunnel - 4751.87	D011450	$	436,096
Charlotte Port - Lakefront Development	D033037		95,876
Inner Loop Study	D017599		1,000
Mt. Hope & E. Henrietta	D022408		906,804
Lake Avenue - Merrill	D033366		(395)
Brooks Avenue Revitilization	C006777		1,388
Waring Road	D033327		18,689
Snow & Ice Control	D005375		59,170
Consolidated Street & Highway Improvements	---		3,686,500
Port of Rochester Redevelopment- Boater Infrastructure	C0Y15D1		204,774
Port of Rochester Redevelopment- Public Marina	C007069		238,754
Port of Rochester Redevelopment	C007144		96,207
Port of Rochester Redevelopment - River St. Extension	C006871		30,236
Port of Rochester Redevelopment - Promenade	C007068		111,764
Port of Rochester Redevelopment - Lighthouse Trail	C006964		7,359
Port of Rochester Redevelopment - Green Infrastructure	C8-6445-03-00		5,199
West River Wall Renovation	C007067		47,988
Ridgeway Avenue	D031733		96,823
Water Quality Improvement Grant	C304407		648,975
Preventive Maintenance for 2 Bridges	D033704		94,794
Preventive Maintenance at 4 Locations	D033709		290,000
Erie Harbor Enhancements	C006966		39,736
Genesee Valley Park West Master Plan	C006965		21,366
University Artwalk II	D032195		(15,823)
Promenade at Erie Harbor	C007143		21,175
Total NYS DOT grants		$	7,144,455

NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED FOR THE YEAR ENDED JUNE 30, 2014

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 modified accrual basis of accounting.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Internal control over State Transportation Assistance Expended:

- Material weakness(es) identified? ___Yes _X_No
- Significant deficiency(ies) identified? ___Yes _X_No

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

Identification of State Transportation Assistance Programs tested:

Name of Project
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.