

THE CITY OF ROCHESTER, NEW YORK
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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Department of Finance

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ANNUAL FINANCIAL REPORT
Year Ended June 30, 2016

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INTRODUCTORY SECTION



City of Rochester

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Lovely A Warren
Mayor

December 13, 2016

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, 2016. 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-two 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 2016 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



December 13, 2016

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, 2016. 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, 2016. 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 the U.S. Office of Management and Budget, Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 65,833 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 1817 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. Xerox, starting with the introduction of the world's first automatic plain copier in 1959, grew to become a leading provider of business document management products, as well as commercial printing equipment and business process outsourcing services. For the 2016 fiscal year, Xerox had annual revenues of \$18 billion. The company announced a significant restructuring in 2016 (see Significant Announcements below).

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 26,673 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 2000s 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 KODK. In 2016, Kodak reported its first profitable quarter since emerging from bankruptcy, with a second quarter profit of \$8 million.

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, 2016, the Department of Neighborhood and Business Development assisted 106 businesses; jobs retained and created were 9,602 and 1,031, respectively. Total business investment was \$131.3 million.

The unemployment rate for the Rochester area as of June 2016 was 4.3% compared to the national rate of 4.9% and the State rate of 4.7%.

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,

The Mayor
Rochester, NY

Empire State Development and Greater Rochester Enterprise assisted with the recent Cody Gate Ventures development that brought three new businesses to the area (Intrinsic Materials, Quintel Technologies and Omni-ID). The development is anticipated to bring as many as 250 jobs and \$100 million total investment within our community (partially located within the City of Rochester). The Finger Lakes Regional Economic Development Council also designated this project as the region's number one priority in the REDC application process and received a total of \$2.4 million in 2012 for projects in the park. The City, along with its economic development partners, meets regularly to discuss potential development projects with EBP. In December 2012, Kodak reached an agreement with Illinois based Recycled Energy Development to purchase, upgrade, and operate the park's power plant facility. In September 2016, RED announced it has completed the sale of RED Investment LLC to Ironclad Energy Partners (Ironclad), a joint venture of Ironclad Energy Ventures LLC and Stonepeak Infrastructure Partners.

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 is positioning 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, the creation of the new street grid, the rehabilitation of the 1,800-vehicle underground garage, and the reconstruction of the service truck tunnel are complete. Three new development parcels are shovel-ready; development proposals are being reviewed for Parcel #5 and the City is in negotiations with a developer for Parcel #2. In December 2012, the Midtown Tower portion of the project (now known as Tower280) was awarded \$4 million through the New York State Regional Economic Development Council funding application process. Buckingham Properties has completed the construction of 181 apartments and is nearing completion of three floors of commercial space. The total investment is \$62 million.

The Windstream Corporation officially celebrated the opening of its new office facility at the former Seneca Building on September 3, 2013. The Pike Development Company completed the 109,000-square-foot project at a total investment of \$19 million. The project was the first private development to take hold on the Midtown Rising site. Windstream retained 265 full-time employees at this new location. The shell of the Seneca Building was preserved during the demolition at the Midtown Plaza site to accommodate this type of adaptive reuse.

The Pike Development Company completed construction of a new 3 story 60,000 square foot office building adjacent to the north wall of the Windstream Building at the corner of E. Main St. and S. Clinton Avenue; the total investment was \$12 million. The first two floors were occupied by Gannett in May 2016.

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 assumed a \$3.1 million loan granted by the City to the previous owner Rochwil Associates LP. The 1 million square foot building is currently in the midst of a phased \$200 million restoration: Phase 1 closed in May 2016 and construction is underway on the creation of 96 apartments, 21 of which will be affordable to households with incomes under 120% Median Family Income (MFI), 39,000 square feet of retail space and 34,000 square feet of office space; Phase 2 involves the development of 72 units of senior housing; Phase 3 includes the development of office space for High Tech Rochester which is discussed below. The project is a critical component of Rochester's downtown revitalization and will attract residents, employment, and investment back to the City's center. The building is within a 15-minute walk of the entire downtown core and the thriving East End district, and it is directly adjacent to the region's new transit center.

High Tech Rochester Business Accelerator (HTR) announced in December 2014 that it will be leasing the entire 6th floor (68,000 sq. ft.) of the building for its new accelerator space. New York State will be providing a \$5 million grant for the HTR project at the Sibley Building which is projected to create over 1,000 jobs over the next 5 years. The creation of a \$24 million incubation and business support facility in downtown Rochester will drive regional growth in entrepreneurship and innovation, as well as help accelerate the revitalization of the city by creating an "innovation district" in the heart of Rochester.

The Mayor
Rochester, NY

College Town: In December 2012, the College Town project was awarded \$4 million through the New York State Regional Economic Development Council funding application process. The project consists of the construction of a large mixed use development adjacent to the University of Rochester's campus including a pedestrian friendly retail district with traffic calming street design, a hotel/conference center, and a prominent Barnes and Noble on the corner of Elmwood and Mt. Hope. Upper stories of the retail buildings include apartments and office space. Construction is complete and lease-up is underway. The project has created nearly 820 construction jobs and will create up to 330 new permanent jobs with nearly \$70 million in private investment.

Xerox Corporation: In January 2016, Xerox announced that it would split itself into two separate publicly-traded companies: an \$11 billion document technology business and a \$7 billion business services business. While cost reduction measures are expected as part of the restructuring, Xerox management has stated that Rochester jobs will not be affected by the split. The restructuring is expected to be completed in 2016. Xerox currently employs approximately 6,400 workers in Rochester.

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 for 160 years Rochester served as its headquarters location. Specializing in eye care products and lens technology, the company has enjoyed success in these markets and significant brand recognition worldwide. In 1995 the company constructed a modern office tower headquarters that became a centerpiece for the downtown business district. The office tower was sold in 2014 to a local development firm.

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 result is the retention of over 1,000 jobs, and the creation of 100.

In January 2015, Bausch & Lomb proposed a \$118 million project to accommodate four new technology, high speed, contact lens manufacturing lines. The project will maintain 820-jobs and is projected to create 112 new jobs over the next three years.

Downtown Innovation Zone: In partnership with Rochester Downtown Development Corporation, High Tech Rochester, and the RIT Center for Urban Entrepreneurship, the City of Rochester announced in November 2014 the designation of an area of downtown as the new Rochester Downtown Innovation Zone. This designation recognizes a momentum of development and clustering of entrepreneurial and creative activity that has been emerging thanks to the visionary leadership and work of the many institutions and organizations that have helped to reshape and rebuild downtown in recent years. The Innovation Zone designation will bring additional focus on the importance of this growing market segment to the future of Rochester, and continue to foster this activity in a way that maximized its success and the positive spillover effects of this dense clustering of activity.

The City and proponents envision the Downtown Innovation Zone as a vibrant live-work-play environment that encourages collaboration and enables easy face to face connections. The HTR and RIT CUE incubator organizations will play an important role in helping develop new business ventures and aiding them in locating appropriate space within the zone. The City and the Office of Innovation continue to be involved in seeking to bring additional incentives and amenities to the area.

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 assistance from 10 federal agencies. The City of Rochester was awarded a re-designation as a manufacturing community through the Investing in Manufacturing Communities Partnership (IMCP) in September of 2016. The Finger Lakes Region, led by the City of Rochester, has been awarded over \$8.8 million in grant funding, anticipated to leverage over \$21.9 million in private funding and nearly \$9.8 million in other program funding.

Quality of Life

Rochester continues to receive numerous national accolades. In 2011, 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. In 2016, AARP magazine reported that Rochester is one of the top ten great cities in the United States for retirement based on affordability; also citing Rochester's cultural amenities, "top universities", and "stellar health care".

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), 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 47,907 full time and 9,902 part time students enrolled in the fall of 2014.

University of Rochester: As of June 2015, the University was responsible for 26,673 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 URMCM 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 has attracted more than \$3 billion in research funding in recent 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 May 2015, URMCM officially opened a new \$145 million eight-story, 245,000 square foot addition to its hospital, called The Golisano Children's Hospital.

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 is complete and has created 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 substantially complete.

Arts and Culture

Artistic activities and cultural institutions thrive within the Rochester metro area.

Established in 1921 by industrialist George Eastman, the world renowned Eastman School of Music is consistently ranked among the best comprehensive music schools in the United States. Eastman offers over 700 concerts annually by faculty, students, and guest artists at Kodak Hall at Eastman Theater, Kilbourn Hall, and Hatch Recital Hall. Numerous faculty and students of Eastman have received, or been nominated for, Grammy awards in the fields of classical and jazz music.

The Rochester Philharmonic Orchestra (RPO), also established by George Eastman in 1922, is a nationally award winning orchestra that provides over 120 performances annually with nearly 170,000 in attendance. The RPO performs at Kodak Hall at Eastman Theater, the Hochstein Performance Hall and other locations. The RPO is known for its educational programs providing free concerts for school children and the community.

The Rochester Museum and Science Center (RMSC) holds over 1.2 million items of local history and 200 interactive exhibits. RMSC is also home to the Strasenburgh Planetarium. Other Rochester museums include: the Memorial Art Gallery of the University of Rochester with 50 centuries of world art; the George Eastman House International Museum of Photography and Film; and The Margaret Woodbury Strong Museum - a museum dedicated to the history of play with the world's largest collection of historical items associated with play. Nearly 1.2 million people attended these museums combined in 2014.

Live theater in Rochester includes touring Broadway shows provided by the Rochester Broadway Theater League at the Auditorium Theater; performances at GEVA Theatre Center - a regional theater in downtown Rochester that is one of the nation's leading non-profit professional theaters; live theater and dance at Nazareth College Arts Center, including dance performances by world renowned, Rochester-based, Garth Fagan Dance; and performances at the Downstairs Cabaret Theatre.

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; and the Rochester Raging Rhinos of the United Soccer League.

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, the Rochester Rattlers, and the Western New York Flash, of the National Women's Soccer League, 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 Wegman's LPGA Championship. It has also been announced that Oak Hill will host the 2023 PGA Championship.

Annual Festivals

Spring marks the beginning of Rochester's unique festival season. Almost every weekend from May to October features major events that draw people to the City's most beloved neighborhoods and parks to enjoy the arts, sounds, and bustling activity of Rochester's festivals, concerts, parades, athletic events, and block parties. The Lilac Festival in May, the Xerox Rochester International Jazz Fest in June, the Com Hill Arts Festival in July, the Park Avenue Festival in August, and the Fringe Festival in September are just a few of over 400 popular events that attract more than 1.7 million people from not only Rochester and New York State, but from all over the United States and beyond.

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.

Waterfront Development

Port of Rochester: The City of Rochester is advancing several plans for revitalization of its Port. The Port location provides a unique private investment opportunity based on its proximity to the major waterways of Lake Ontario and the Genesee River. The City's Local Waterfront Revitalization Plan (LWRP) for the Port area is being amended to incorporate the elements of its most recent master planning process and the recently completed marina feasibility study. During the summer of 2016, the City completed construction of a new 84-slip public marina facility near the confluence of Lake Ontario and the Genesee River. A nationally renowned marina operator was contracted to promote and operate the marina on behalf of the City. In its first boating season, with a late opening, the marina revenue exceeded \$100,000.

Redevelopment of the ferry link building into a boater services facility and a new welcome center is currently underway and will be ready for occupancy by April of 2017. Surrounding the marina is a new public promenade connecting the Genesee Riverway Trail to the Charlotte Pier. The marina development enhances the recreational nature of the Port and supports new mixed-use development opportunities to complement the existing commercial, retail and restaurant uses. A 2.8-acre development parcel adjacent to the marina basin will soon be the subject of a second Request for Proposal (RFP). The developer selected during the first RFP process was unable to complete the financial requirements. 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-room Staybridge Suites 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 12-story building portion of the second phase was completed in October 2014, bringing the addition of 170 students to the neighborhood.

CityGate: Currently under construction by Anthony J Costello & Son Development is a 42 acre mixed use development project located at the southeast corner 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 that opened in May 2015; a 150 room hotel; 300 loft-style apartments overlooking the 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.

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. There is also an increasing number of people who now call Center City home.

The development follows the vision of the award winning Center City Master Plan, adopted in 2003 and updated in 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.

The Mayor
Rochester, NY

The Rochester Downtown Development Corporation (RDDC) is tracking \$857 million in public and private investment, either recently completed, underway and proposed to commence in the next 12 months. The RDDC also reports that the downtown population has grown to 6,540 residents and a 2015 vacancy rate of 2.3% for 3,581 rental housing units downtown - below the industry standard of 5%. The Center City has a weekday workforce of 50,000.

A number of projects have been completed over the past 24 months in the Center City.

Bevier Building - The redevelopment of an historic building into 15 loft-style apartments and first floor commercial office space by Syracuse-based Franklin Properties. The \$4.2 million project was completed in September 2015.

Academy Building - The \$6.7 million renovation of this historic vacant building in the heart of the government district was completed in 2014. The project originally included 21 loft apartments and first floor commercial restaurant uses. The residential space was so successful that additional first floor commercial space was converted into 4 additional apartments.

Woodbury Place - First phase of a multi-building renovation converting vacant space to 11 new loft apartments. The project will result in a total of 47 loft units and restaurant/retail/museum space, for a total investment of over \$4 million.

300 Alexander St. - Renovation of a former historic vacant apartment building for 58 units with over \$6 million in investment.

Temple Building - The \$2.6 million project included renovations to convert an additional 4 floors in the historic building for 30 loft apartments.

Harts 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 was completed this past year. This is the first full service downtown grocery store since Wegman's Food Market closed in the 1990s.

RGRTA Transit Center - The regional transit authority completed construction of a \$50 million downtown transit center in late 2014. The new enclosed center offers convenience and protection from the weather for the bus customers during transfers. This will also have significant positive impacts for downtown Rochester by allowing more on-street parking for downtown visitors patronizing Main Street businesses.

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 was completed in October 2014 and involved the conversion of the portions of the streets north of Main St.

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 was approximately \$16 million. The hotel opened in March 2015.

Mills at High Falls III - Conversion of a historic building adjacent to Mills I and II sites for an additional 14 units of affordable housing. The project is complete.

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

The Metropolitan: Completed in 1973 as Lincoln First Tower and later rebranded as Chase Tower, The Metropolitan stands as one of the city's tallest skyscrapers, distinguished by its "white fins" and outward curves at the base. With exclusive restaurant and retail space and 10 floors of build-to-suit commercial space, the renovations also feature the creation of 13 floors of high-rise residential living space with 1 and 2 bedroom units ranging from 650 to 1,300-square feet. Larger units are also planned. The estimated total development cost is \$34.5 million.

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.

Hive @155-This project involves the adaptive reuse of multiple mixed-use buildings in the historic St. Paul District further building on the 'Hive' rebranding of the neighborhood. The \$7 million first phase of the project includes full renovations of 155-173 St. Paul Street and is expected to be completed in 2016. The second phase of the project includes full renovations of the adjacent building at 143-153 St. Paul Street and is estimated at \$8 million. Construction of the second phase is expected to begin in 2017. Both phases of the project will feature efficient floor plans, competitive rents aimed at young professionals, and collaborative community work space amenities.

Lincoln Alliance Building-The redevelopment of an historic building into 124 residential units, commercial, and retail space. The renovations commenced in fall 2015 with asbestos and demolition actions, and will be completed in fall 2017. The estimated total development cost is \$22.5 million.

88 Elm Street - This vacant 12 story, 88,000 square foot City-owned building is in the Midtown Urban Renewal District. The City completed over \$1 million in asbestos abatement and new roof construction on the building. Sale of the property was completed in May 2015, for development of approximately 36 upscale apartments and commercial office space. Renovations on the over \$10 million project are currently underway, with project completion expected in 2017.

Charlotte Square - The City issued a Request for Proposals for sale and development of this site as a prime parcel located in the heart of the East End District. Four proposals were received for mixed-use and residential new construction development. Home Leasing was selected as the preferred developer. The project involves the new construction of 72 rental apartments and an investment of over \$15 million. The second phase of the project will include the development of a minimum of 9 to 12 owner-occupied townhouse units. Construction of Phase I commenced in August 2015. The first tenants are scheduled to take occupancy in Fall 2016.

Court Street Apartments-Morgan Management plans to construct a new building with residential housing units and first floor retail space. The investment for this project is approximately \$25 million. This project is being developed in conjunction with the City's efforts to improve trail connectivity alongside the Genesee River.

Cox Building -This historic building, located in the St. Paul Quarter, will undergo a substantial renovation to return the structure to a vibrant mixed-use building. The project will cost approximately \$18 million.

ROC City Skate Park-This project involves a proposed new downtown skate park that has tremendous grassroots support. The proposed location presently under consideration is space under the Frederick Douglass-Susan B. Anthony Memorial Bridge. 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 has commenced and will be completed within 1 year.

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 \$22 million project will bring a portion of the expressway to grade, reduce the width of the road, and create new vehicular, pedestrian, and bicycle connections from the popular Alexander St. and Park Ave. neighborhoods into downtown. The project will also create significant ready-to-build development acreage in one of the region's most popular districts. Construction has commenced and will be completed by December 2017. The City issued a request for proposals (RFP) for the new development parcels that will be created as a result of the project. The RFP was released in May 2016, and selections were made in August 2016, subject to formal approvals.

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 following table, the City has allocated \$343.9 million, or 67% 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
(Millions)

Allocation
Through June 30, 2017

Residential Neighborhoods	\$343.9
Business Development	89.5
Urban Renewal Completion	17.3
Planning, Management and Administration	<u>\$ 63.3</u>
TOTAL	\$514.0

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 2015-16 Program is based upon a citizen participation process that identified needs and priorities and the City's Housing Policy. The 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 \$14.3 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 (\$1,380,000), ii) improve the housing stock and general property conditions through rehabilitation, redevelopment and new construction of housing, homeowner assistance, rental market support, housing choice and neighborhood and asset based planning (\$9,284,186), 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 public services and infrastructure improvements (\$2,686,115), and other (\$964,497) which includes staff costs, program management, and services to the homeless and those with AIDS.

Some examples of the impact of these investments for 2015-16 include 101 homebuyers assisted, 357 jobs created/retained, and 3,410 homeless provided services.

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, 2016 was \$5,672,000.

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 constitutional debt limit between the City and the District; 5.5% for municipal purposes and 3.5% 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, 2015. This was the thirty-second 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 2016 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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive.

Executive Director/CEO

CITY OF ROCHESTER, NEW YORK
MAYOR AND CITY COUNCIL OFFICIALS
June 30, 2016

Lovely A. Warren, Mayor

Loretta C. Scott, President

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

Carolee A. Conklin (At-Large)

Matt Haag (At-Large)

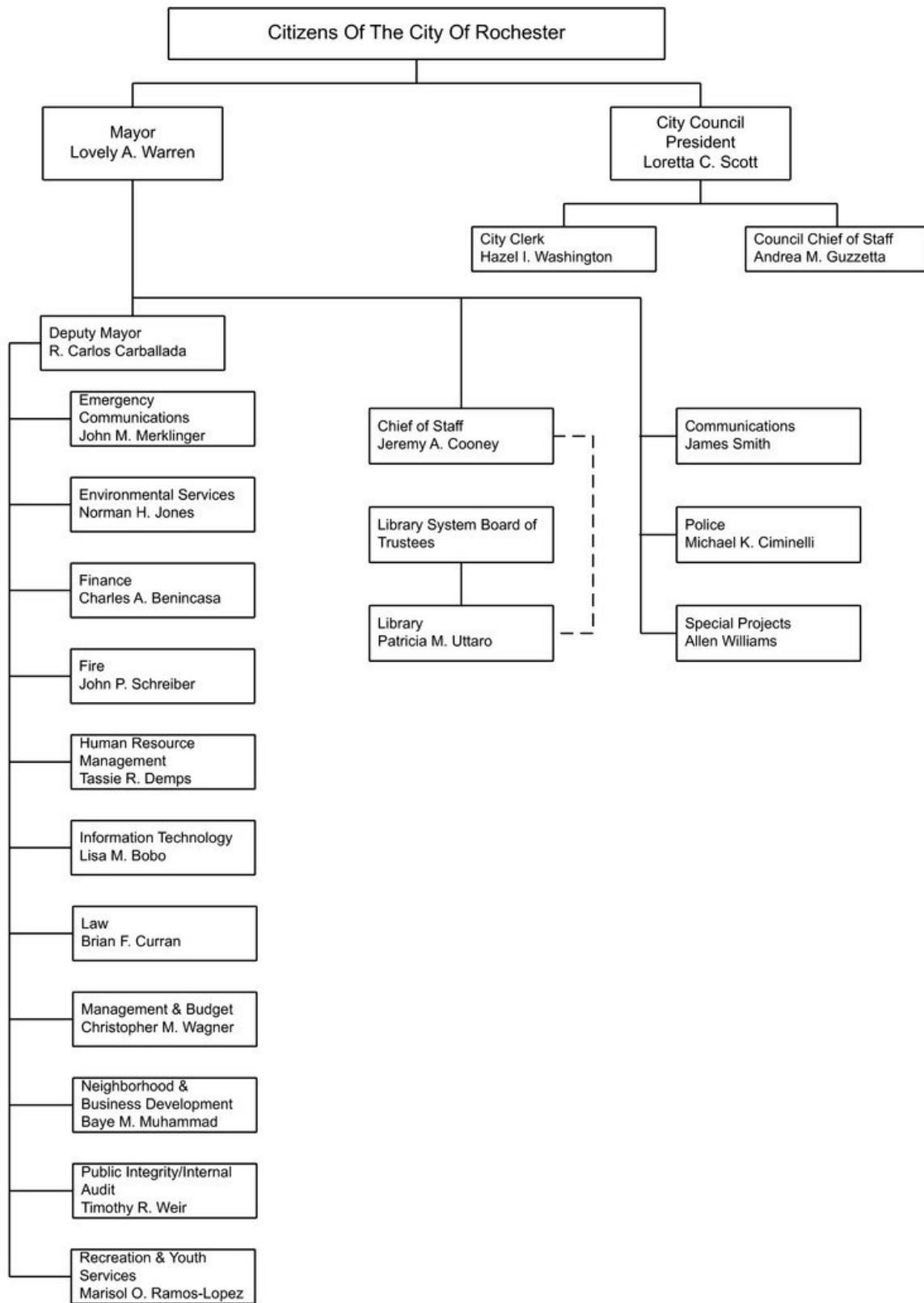
Adam C. McFadden (South District)

Jacklyn Ortiz (At-Large)

Molly Clifford (Northwest District)

Michael A. Patterson (Northeast District)

Elaine M. Spaul (East District)



CITY OF ROCHESTER, NEW YORK
ORGANIZATIONAL UNITS AND OFFICIALS
June 30, 2016

Mayor	Lovely A. Warren
Deputy Mayor	R. Carlos Carballada
Chief of Staff	Jeremy A. Cooney
City Clerk	Hazel I. Washington
City Council Chief of Staff	Andrea M. Guzzetta
Management & Budget	Christopher M. Wagner
Communications	James Smith
Human Resource Management	Tassie R. Demps
Public Integrity/Internal Audit	Timothy R. Weir
Special Projects	Allen Williams
Emergency Communications	John M. Merklinger
Environmental Services	Norman H. Jones
Finance	Charles A. Benincasa
Fire	John P. Schreiber
Information Technology	Lisa M. Bobo
Law	Brian F. Curran
Library	Patricia M. Uttaro
Neighborhood & Business Development	Baye M. Muhammad
Police	Michael K. Ciminelli
Recreation & Youth Services	Marisol O. Ramos-Lopez

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2016, 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 City'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 City'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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements, as listed in the table of contents; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 combining and individual fund financial statements, as listed in the table of contents; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 combining and individual fund financial statements, as listed in the table of contents; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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 the City's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
December 13, 2016

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, 2016. 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, 2016.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$599,602 (net position).
- The City's total net position decreased by \$70,982 because of the reclassification of Year End Close for the Fund Balance and Contracts and PO's. The decrease also included the Start of Year reversal of prior year Encumbrance Reserves.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$177,749, a decrease of \$12,897 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,672.

The City's total outstanding debt increased by \$5,919 from 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, 2016, which includes the General Fund as well as certain special revenue and enterprise funds, is reported in the *Combining Schedule of Revenues, Expenses and Changes in Fund Balance/Net Position - Budget and Actual - General, Certain Special Revenue and Proprietary 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 and deferred inflows of resources by \$599,602 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 396,336	\$ 407,708	\$ 86,337	\$ 78,896	\$ 482,673	\$ 486,604
Capital assets	731,218	705,898	288,237	288,455	1,019,455	994,353
Total assets	1,127,554	1,113,606	374,574	367,351	1,502,128	1,480,957
Deferred pension outflow	149,702	16,315	3,826	513	153,528	16,828
Total deferred outflows of resources	149,702	16,315	3,826	513	153,528	16,828
Long-term liabilities outstanding	677,768	485,833	118,945	96,593	796,713	582,426
Other liabilities	198,056	196,277	37,485	45,929	235,541	242,206
Total liabilities	875,824	682,110	156,430	142,522	1,032,254	824,632
Deferred pension inflow	23,314	2,569	486	—	23,800	2,569
Total deferred inflows of resources	23,314	2,569	486	—	23,800	2,569
Net position:						
Net investment in capital assets	626,527	602,559	205,542	207,285	832,069	809,844
Restricted	66,658	83,436	17,126	16,417	83,784	99,853
Unrestricted (deficit)	(315,067)	(240,753)	(1,184)	1,640	(316,251)	(239,113)
Total net position	\$ 378,118	\$ 445,242	\$ 221,484	\$ 225,342	\$ 599,602	\$ 670,584

The City's total net position decreased by \$70,982 because of the reclassification of Year End Close for the Fund Balance and Contracts and PO's. The decrease also included the Start of Year reversal of prior year Encumbrance Reserves. As a result there is a decrease of \$67,124 in the net position of governmental activities and a decrease of \$3,858 in the net position of business-type activities. A portion of the City's net position 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 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 \$67,124. 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 133,701	\$ 130,856	\$ 79,376	\$ 79,059	\$ 213,077	\$ 209,915
Operating grants and contributions	33,289	43,486	11	—	33,300	43,486
Capital grants and contributions	18,166	16,065	1,493	1,374	19,659	17,439
General revenues:						
Property taxes	152,921	152,593	2,641	2,635	155,562	155,228
Sales and other taxes	163,802	159,120	905	906	164,707	160,026
Governmental aid	103,420	108,673	6	5	103,426	108,678
Other	8,611	7,399	1,467	1,364	10,078	8,763
Total revenues	613,910	618,192	85,899	85,343	699,809	703,535
Expenses:						
General Government	166,709	136,679	—	—	166,709	136,679
Police	157,406	147,566	—	—	157,406	147,566
Fire	85,311	79,577	—	—	85,311	79,577
Emergency communications	24,987	23,141	—	—	24,987	23,141
Transportation	24,369	22,674	—	—	24,369	22,674
Environmental services	42,010	45,209	—	—	42,010	45,209
Recreation and youth services	20,361	18,954	—	—	20,361	18,954
Library	15,739	14,003	—	—	15,739	14,003
Neighborhood and business development	25,883	38,195	—	—	25,883	38,195
Interest on long term debt	4,535	4,483	—	—	4,535	4,483
Education	119,100	119,100	—	—	119,100	119,100
Water	—	—	33,076	36,081	33,076	36,081
War memorial	—	—	2,068	2,443	2,068	2,443
Parking	—	—	15,595	15,466	15,595	15,466
Cemetery	—	—	3,565	3,025	3,565	3,025
Public market	—	—	1,101	1,065	1,101	1,065
Refuse	—	—	28,978	29,703	28,978	29,703
Total expenses	686,410	649,581	84,383	87,783	770,793	737,364
Excess (deficiencies) of revenues over expenses	(72,500)	(31,389)	1,516	(2,440)	(70,984)	(33,829)
Transfers	5,374	5,374	(5,374)	(5,374)	—	—
Change in net position	(67,124)	(26,015)	(3,858)	(7,814)	(70,982)	(33,829)
Net position - beginning (as restated)	445,242	471,257	225,342	233,156	670,584	704,413
Net position - ending	\$ 378,118	\$ 445,242	\$ 221,484	\$ 225,342	\$ 599,602	\$ 670,584

Governmental activities revenue highlights

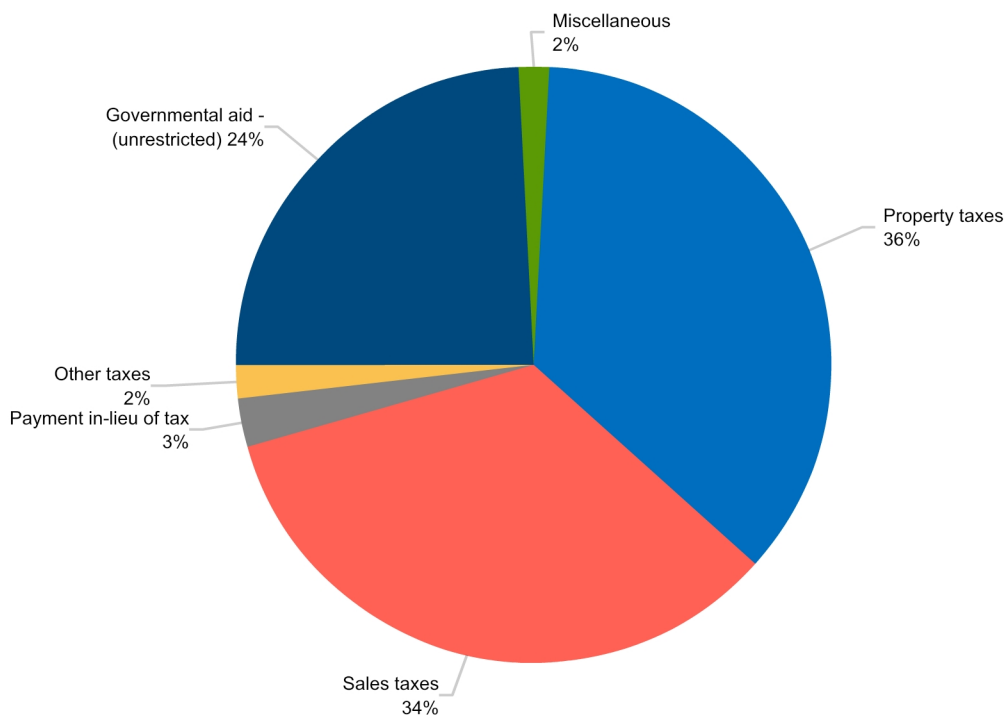
The major factors contributing to the overall revenue increase of \$4,282 were:

- Charges for services increased \$2,845 primarily due to an increase of \$2,635 in General Government: an increase of \$1,352 in Police; an increase of \$191 in Emergency Communications and an increase of \$160 in Transportation; offset by a decrease of \$106 in Fire; a decrease of \$60 in Environmental Services; a decrease of \$673 in Recreation & Youth Services; a decrease of \$72 in Library and a decrease of \$583 in Neighborhood Business Development;
- Capital grants and contributions increased \$2,101, primarily due to an increase of \$351 in General Government; an increase of \$782 in Transportation, and an increase of \$1,241 in Environmental Services; offset by a decrease of \$83 in Federal Aid; and decrease of \$190 in Neighborhood Business Development;
- Property tax revenue increased \$328 primarily due to an increase of \$61 in Real Property Tax Levy; an increase of \$1,258 in Delinquent Collections; an increase of \$77 in Animal Control and an increase of \$500 in Libreal Property Tax Support; offset by a decrease of \$1,459 in Adjusting Entries and a decrease of \$109 in Lien Sale Delinquent Collections;
- Sales and other taxes increased \$4,682 primarily due to an increase of \$5,163 in Sales Tax and an increase of \$310 in Payment in-lieu of tax; offset by a decrease of \$791 in Other Taxes;
- Other increased \$1,212

The above increases of \$11,168 were offset by the following decreases which total \$15,450:

- Operating grants and contributions decreased \$10,197 primarily due to a decrease of \$521 in Police; a decrease of \$65 in Fire; a decrease of \$970 in Transportation and a decrease of \$11,386 in Neighborhood Business Development; offset by an increase of \$1,316 in General Government; an increase of \$452 in Environmental Services; an increase of \$967 in Recreation & Youth Services and an increase of \$10 in Library;
- Governmental aid decreased by \$5,253 primarily due to a decrease in Adjusting Entries and a decrease of \$5,980 in NYS Grants; offset by an increase of \$727 in Federal Grants.

Revenues by Source - Governmental Activities



Governmental activities expense highlights

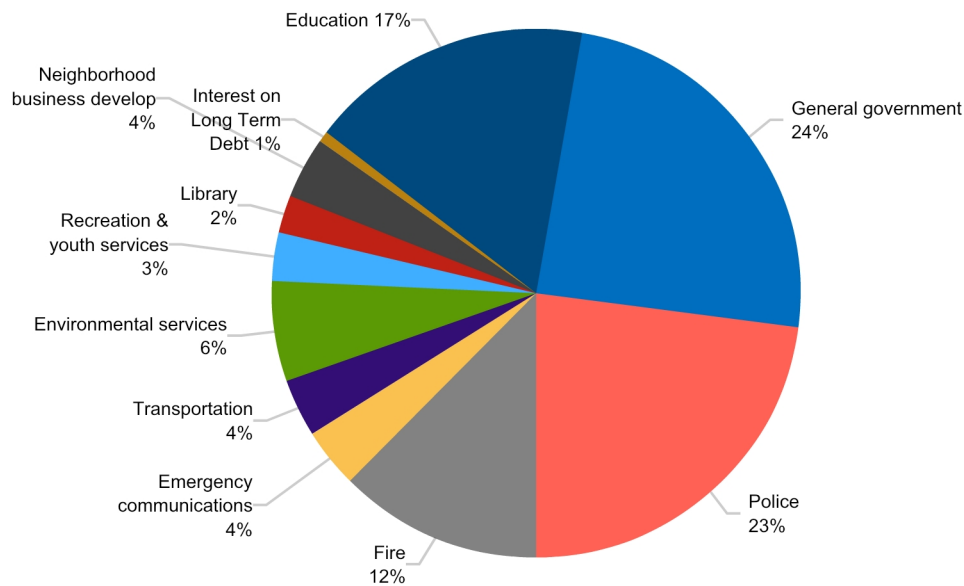
The major factors contributing to an overall increase in governmental activities expenses of \$36,829 were as follows:

- General government expenses increased \$30,030 due to a \$30,030 increase in Animal Control;
- Police expenses increased \$9,840 primarily due to an increase in the General Fund;
- Fire expenses increased \$5,734 primarily due to an increase in General Fund;
- Emergency communications expenses increased \$1,847 due to an increase in General Fund;
- Transportation expenses increased \$1,694 due to an increase in General Fund;
- Recreation and youth services expenses increased \$1,407 primarily due to an increase in General Fund;
- Library expenses increased \$1,736 primarily due to an increase in the Library Fund;
- Interest on long term debt expenses increased \$52 primarily due to an increase in Adjusting Entries.

The above increases which total \$52,340 were partially offset by the below decreased of \$15,511 as follows:

- Environmental services expenses decreased \$3,199 due to a decrease in General Fund;
- Neighborhood and business development expenses decreased \$12,312 due to a decrease in Community Development.

Expenses by Source - Governmental Activities



Business-type activities revenue highlights

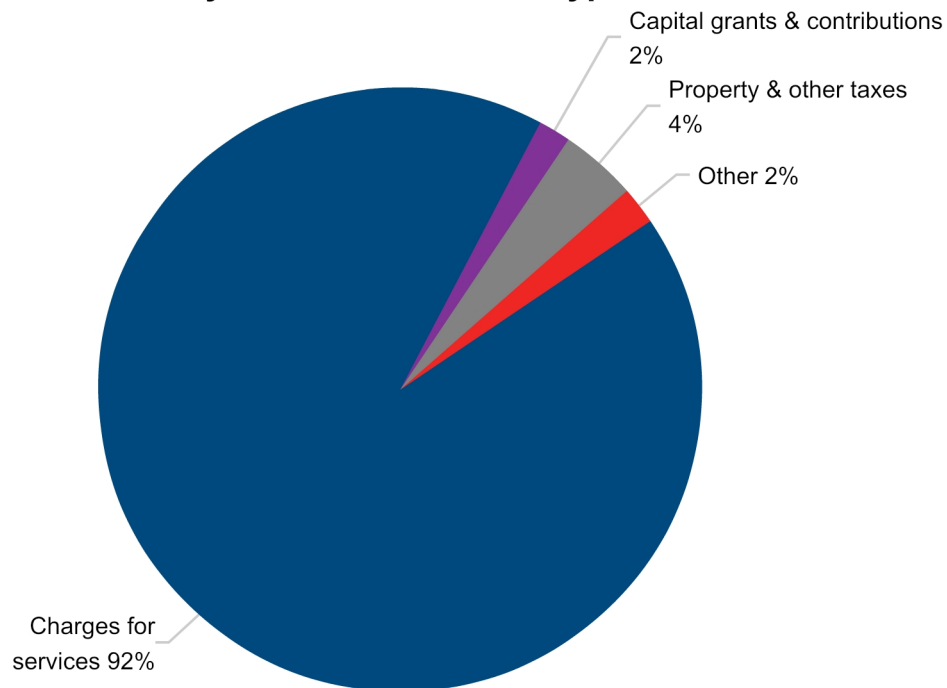
Revenues for business-type activities showed an overall increase of \$556.

- Charges for services increased by \$317 primarily due to an increase of \$30 in Public Market; an increase of \$1,121 in Refuse; an increase of \$81 in War Memorial and an increase of \$312 in Water; offset by a decrease of \$65 in Cemetery and a decrease of \$1,162;
- Capital grants and contributions increased by \$119 primarily due to an increase of \$446 in Parking; offset by a decrease of \$71 in Public Market and a decrease of \$256 in Water;
- Property taxes increased by \$6 primarily due to an increase of \$423 Parking Admin; offset by a decrease of \$213 in War Memorial; a decrease of \$116 in Cemetery and a decrease of \$88 in Public Market;
- Operating grants and contributions increased by \$11 due to an increase of \$11 in Parking Admin;
- Governmental aid increased by \$1 due to a \$2 increase in Water and offset by a \$1 decrease in Parking;
- Other increased by \$103.

These revenue increases of \$557 were offset by a decrease of \$1 in the following category:

- Sales and other taxes decreased by \$1.

Revenues by Source - Business-Type Activities



Business-type activities expense highlights.

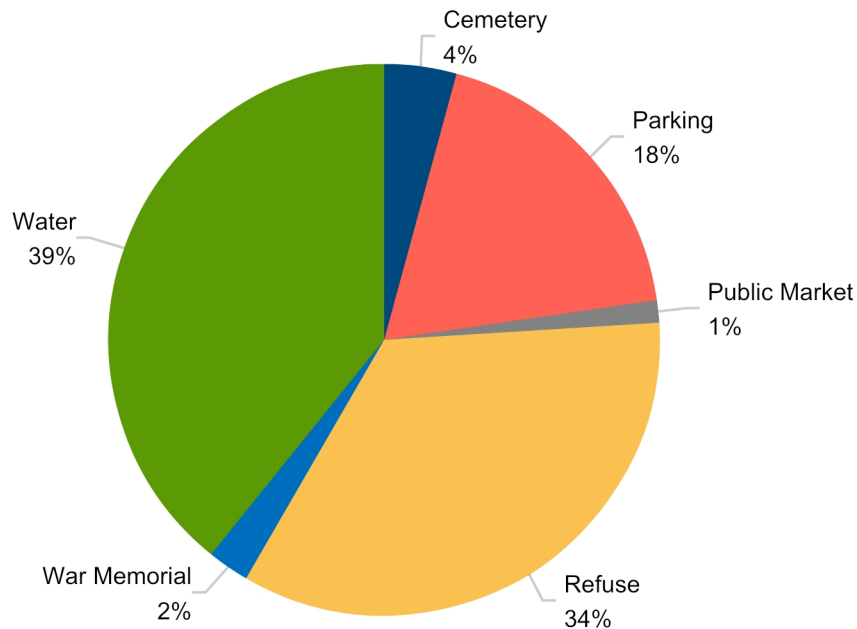
The net decrease in business-type activities expenses were \$3,400:

- Water fund expenses decreased by \$3,005;
- War memorial expenses decreased by \$375;
- Refuse expenses decreased by \$727

The above decreases which total \$4,107 were partially offset by increases of \$707 as follows:

- Parking fund expenses increased by \$129
- Cemetery fund expenses increased by \$541
- Public market fund expenses increased by \$37

Expenses by Source - Business-Type Activities



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 \$177,749, a decrease of \$12,897 in comparison with the prior year. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to \$17,569. The committed portion of fund balance is reported in the amount of \$93,884 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 \$69,591 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 governmental fund amount to (\$3,295) 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 \$39,939, unassigned fund balance was \$5,672, and total fund balance reached was \$87,247. Assigned and unassigned fund balance total to a combined amount of \$45,611. The fund balance of the City's general fund increased \$9,186 in assigned fund balance and an increase of \$642 in unassigned fund balance.

Debt service fund. The debt service fund has a total fund balance of \$24,253, of which \$8,274 is restricted and \$15,979 is assigned for the payment of debt service. The fund balance increased by \$3,403 during the current fiscal year. The major factors contributing to the increase was an increase of \$3,204 in restricted fund balance and an increase of \$199 in assigned fund balance.

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, are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$43,168, of this \$42,605 was committed and \$563 was assigned. The fund balance of the City's general capital projects fund decreased by \$27,303. The major factors contributing to the decrease was a decrease of \$27,260 in committed capital projects and a decrease of \$43 in assigned capital projects.

Transportation capital projects. The transportation capital projects fund is used to account for road and bridge construction and reconstruction. There was an increase of \$7,214 in transportation capital projects because of a \$7,214 increase in unassigned capital projects fund.

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 \$4,773. The fund balance decreased by \$305. The major factors contributing to the decrease was a \$766 decrease in restricted community development and an increase of \$461 in committed community development.

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 \$221,484. The change in net position between 2015 and 2016, which totaled a decrease of \$3,858 consisted of the following: the Water fund increased by \$399, the Parking fund decreased by \$3,013, the War Memorial fund increased by \$473, the Refuse fund decreased by \$1,659, the Cemetery fund decreased by \$599, and the Public Market fund increased by \$541.

Unrestricted net position deficit of the proprietary funds, which totaled (\$1,184) at year end, breakdown as follows: Water — \$4,539, Parking — \$2,320, War Memorial — \$448, Refuse — (\$8,566), Cemetery — (\$707), and Public Market — \$782.

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 \$39,291, an increase of \$3,535 over the prior year.

Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital Assets. In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounted to \$1,019,455 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 24,930	\$ 25,182	\$ 11,091	\$ 11,091	\$ 36,021	\$ 36,273
Buildings	141,306	143,911	113,067	114,447	254,373	258,358
Improvements other than buildings	48,504	34,276	152,201	150,984	200,705	185,260
Machinery and equipment	35,005	34,003	5,843	6,832	40,848	40,835
Infrastructure	475,626	460,352	—	—	475,626	460,352
Construction in progress	5,847	8,174	6,035	5,101	11,882	13,275
Total	\$ 731,218	\$ 705,898	\$ 288,237	\$ 288,455	\$ 1,019,455	\$ 994,353

Long-term debt. On June 30, 2016 the City's outstanding debt was \$232,125. This was an increase of \$5,919 over the prior year. An increase of \$1,826 in the governmental activities funds and an increase of \$4,093 in the business-type activities funds.

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

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 101,755	\$ 94,107	\$ 82,095	\$ 68,604	\$ 183,850	\$ 162,711
Bond anticipation notes	31,967	37,789	16,308	25,706	48,275	63,495
Total	\$ 133,722	\$ 131,896	\$ 98,403	\$ 94,310	\$ 232,125	\$ 226,206

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 AA- from Standard & Poor's 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.

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

Economic Factors

The dominant feature of Rochester's economy during the previous 30 years has been the 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; Optimization Technology, which acquired Kodak's capital engineering, capitalized maintenance and construction units; Ultralife Corporation, which spun out of Kodak in 1991; and many others.

Manifesting the shift to a services based workforce, the University of Rochester has grown to be the largest local employer with 26,673 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 URM 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, 2016 (000's Omitted)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School District	Land Bank
ASSETS					
Cash and cash equivalents	\$ 203,328	\$ 47,758	\$ 251,086	\$ 98,442	\$ 1,387
Receivables (net of allowance for uncollectibles)					
Accounts	62,117	18,849	80,966	5,092	—
Taxes	15,878	—	15,878	—	—
Due from other governments	88,687	227	88,914	64,894	25
Due from component units	636	—	636	—	—
Inventory	—	—	—	602	—
Prepaid expense	—	—	—	449	—
Cash and cash equivalents - restricted	29,480	15,707	45,187	37,278	—
Due from other governments - restricted	—	6	6	—	—
Interfund balances	(3,790)	3,790	—	—	—
Long term pension asset	—	—	—	172,798	—
Capital assets (net of accumulated depreciation)					
Land	24,930	11,091	36,021	17,349	—
Buildings	141,306	113,067	254,373	502,603	—
Machinery, equipment, and vehicles	35,005	5,843	40,848	11,816	—
Improvements other than buildings	48,504	152,201	200,705	—	—
Infrastructure	475,626	—	475,626	—	—
Construction in progress	5,847	6,035	11,882	62,727	—
Total assets	1,127,554	374,574	1,502,128	974,050	1,412
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflow	149,702	3,826	153,528	73,255	—
Deferred charge on refunding, net of amortization	—	—	—	1,461	—
Total deferred outflows of resources	149,702	3,826	153,528	74,716	—
LIABILITIES					
Accounts payable and other accrued liabilities	65,032	6,321	71,353	62,197	302
Accrued interest payable	1,795	1,389	3,184	—	—
Bond anticipation notes payable	31,967	16,308	48,275	18,000	—
Due to other governments	32,698	774	33,472	2,239	—
Due to component units	2,826	—	2,826	—	—
Due to retirement systems	—	—	—	38,972	—
Unearned revenue	42,298	365	42,663	2,450	—
Noncurrent liabilities:					
Retainages payable	—	—	—	1,925	—
Due within one year	21,380	12,356	33,736	48,557	—
Due in more than one year	532,091	114,824	646,915	666,902	—
Aggregate net pension liability	145,737	4,093	149,830	37,551	—
Total liabilities	875,824	156,430	1,032,254	878,793	302
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflow	23,314	486	23,800	64,573	—
Total deferred inflows of resources	23,314	486	23,800	64,573	—
NET POSITION					
Net investment in capital assets	626,977	205,542	832,519	218,698	—
Restricted for:					
Capital projects	37,632	13,564	51,196	13,070	—
Debt service	24,253	3,562	27,815	8,162	—
Community development	4,773	—	4,773	—	—
Unrestricted (deficit)	(315,517)	(1,184)	(316,701)	(134,530)	1,110
Total net position	\$ 378,118	\$ 221,484	\$ 599,602	\$ 105,400	\$ 1,110

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, 2016 (000's Omitted)

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	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	\$ 166,709	\$ 74,205	\$ 2,842	\$ 7,188	\$ (82,474)	\$ —	\$ (82,474)	\$ —	\$ —
Neighborhood business	25,883	6,497	16,728	16	(2,642)	—	(2,642)	—	—
Environmental services	42,010	20,291	815	6,038	(14,866)	—	(14,866)	—	—
Transportation	24,369	1,106	271	4,924	(18,067)	—	(18,067)	—	—
Emergency communications	24,987	17,528	—	—	(7,459)	—	(7,459)	—	—
Police department	157,406	8,412	2,442	—	(146,552)	—	(146,552)	—	—
Fire department	85,311	1,960	560	—	(82,790)	—	(82,790)	—	—
Library	15,739	2,658	7,947	—	(5,134)	—	(5,134)	—	—
Recreation and youth services	20,361	1,044	1,684	—	(17,633)	—	(17,633)	—	—
Education	119,100	—	—	—	(119,100)	—	(119,100)	—	—
Interest on long term debt	4,535	—	—	—	(4,535)	—	(4,535)	—	—
Total governmental activities	<u>686,410</u>	<u>133,701</u>	<u>33,289</u>	<u>18,166</u>	<u>(501,252)</u>	<u>—</u>	<u>(501,252)</u>	<u>—</u>	<u>—</u>
Business-type activities:									
Water	33,076	37,298	—	244	—	4,466	4,466	—	—
Parking	15,595	11,553	—	461	—	(3,581)	(3,581)	—	—
War Memorial	2,068	994	—	—	—	(1,074)	(1,074)	—	—
Refuse	28,978	27,317	—	—	—	(1,661)	(1,661)	—	—
Cemetery	3,565	1,467	—	—	—	(2,098)	(2,098)	—	—
Public Market	1,101	819	—	728	—	446	446	—	—
Total business-type activities	<u>84,383</u>	<u>79,448</u>	<u>—</u>	<u>1,433</u>	<u>—</u>	<u>(3,502)</u>	<u>(3,502)</u>	<u>—</u>	<u>—</u>
Total primary government	<u>770,793</u>	<u>213,149</u>	<u>33,289</u>	<u>19,599</u>	<u>(501,252)</u>	<u>(3,502)</u>	<u>(504,754)</u>	<u>—</u>	<u>—</u>
Component units:									
School District	\$ 800,405	\$ 2,239	\$ 113,988	\$ —				(684,178)	—
Land Bank	<u>1,452</u>	<u>—</u>	<u>1,884</u>	<u>—</u>				<u>—</u>	<u>432</u>
Total component units	<u>\$ 801,857</u>	<u>\$ 2,239</u>	<u>\$ 115,872</u>	<u>\$ —</u>				<u>(684,178)</u>	<u>432</u>
General revenues:									
Property taxes					152,921	2,641	155,562	—	—
Sales taxes					144,945	—	144,945	—	—
Payment in-lieu of tax					11,238	—	11,238	—	—
Other taxes					7,619	905	8,524	—	—
Governmental aid - (unrestricted)					103,420	5	103,425	566,071	—
Investment earnings					1,576	238	1,814	754	—
Allocation to school district - (unrestricted)					—	—	—	119,100	—
Miscellaneous					7,035	1,229	8,264	15,177	175
Transfers					<u>5,374</u>	<u>(5,374)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total general revenues and transfers					<u>434,128</u>	<u>(356)</u>	<u>433,772</u>	<u>701,102</u>	<u>175</u>
Change in net position					<u>(67,124)</u>	<u>(3,858)</u>	<u>(70,982)</u>	<u>16,924</u>	<u>607</u>
Net position - beginning					<u>445,242</u>	<u>225,342</u>	<u>670,584</u>	<u>88,476</u>	<u>503</u>
Net position - ending					<u>378,118</u>	<u>221,484</u>	<u>599,602</u>	<u>105,400</u>	<u>1,110</u>

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

THE CITY OF ROCHESTER, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016 (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	\$ 88,994	\$ 18,622	\$ 788	\$ —	\$ 7,071	\$ 38,339	\$ 153,814
Receivables (net of allowance for uncollectibles)							
Accounts	1,753	168	14	—	58,504	884	61,323
Taxes	12,159	—	—	—	—	288	12,447
Due from other funds	39,695	—	54,542	11,937	1	3,006	109,181
Due from other governments	45,548	—	28,727	61	65	3,536	77,937
Due from component units	636	—	—	—	—	—	636
Cash and cash equivalents - restricted	—	8,274	9,676	8,801	—	2,729	29,480
Total assets	<u>\$188,785</u>	<u>\$ 27,064</u>	<u>\$ 93,747</u>	<u>\$ 20,799</u>	<u>\$ 65,641</u>	<u>\$ 48,782</u>	<u>\$ 444,818</u>
LIABILITIES							
Accounts payable and other accrued liabilities	\$ 15,800	\$ —	\$ 9,853	\$ 2,903	\$ 1,182	\$ 1,704	\$ 31,442
Bond anticipation notes payable	—	—	11,108	20,081	—	778	31,967
Due to other funds	63,930	141	29,618	6,782	344	18,290	119,105
Due to other governments	10,954	—	—	—	21,049	694	32,697
Due to component units	155	2,670	—	—	—	1	2,826
Unearned revenue	10,699	—	—	—	38,293	40	49,032
Total liabilities	<u>101,538</u>	<u>2,811</u>	<u>50,579</u>	<u>29,766</u>	<u>60,868</u>	<u>21,507</u>	<u>267,069</u>
FUND BALANCES (DEFICIT)							
Restricted	—	8,274	—	—	3,901	5,394	17,569
Committed	41,636	—	42,605	—	872	8,771	93,884
Assigned	39,939	15,979	563	—	—	13,110	69,591
Unassigned	5,672	—	—	(8,967)	—	—	(3,295)
Total fund balances (deficit)	<u>87,247</u>	<u>24,253</u>	<u>43,168</u>	<u>(8,967)</u>	<u>4,773</u>	<u>27,275</u>	<u>177,749</u>
Total liabilities and fund balances (deficit)	<u>\$188,785</u>	<u>\$ 27,064</u>	<u>\$ 93,747</u>	<u>\$ 20,799</u>	<u>\$ 65,641</u>	<u>\$ 48,782</u>	<u>\$ 444,818</u>

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

THE CITY OF ROCHESTER, NEW YORK
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016 (000's Omitted)

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

Total fund balances of governmental funds	\$ 177,749
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	731,218
Accrual of property and sales taxes to qualify as financial resources	20,913
Internal service funds are used by management to charge the cost of risk management and health insurance to individual funds.	39,291
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Accrual of interest on bonds and notes payable	(1,795)
Accrual of Medicare Part D revenue	793
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	(92,287)
Premium liability	(9,467)
Compensated absences	(17,231)
Workers' compensation	(15,021)
OPEB liability	(422,012)
NYS Canal lease liability	(273)
Pollution remediation liability	(6,993)
Pension amortization liability	(7,418)
Net pension liability and net deferred inflows and outflows	<u>(19,349)</u>
Net position of governmental activities	<u>\$ 378,118</u>

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, 2016 (000's Omitted)

			Capital Projects		Special Revenue	Total Nonmajor Funds	Total Governmental Funds
	General	Debt Service	General	Transportation	Community Development		
REVENUES							
Real property tax	\$ 147,905	\$ —	\$ —	\$ —	\$ —	\$ 7,851	\$ 155,756
Sales tax	144,550	—	—	—	—	—	144,550
Other taxes	18,857	—	—	—	—	—	18,857
Departmental	25,382	—	—	—	—	22,419	47,801
Use of money and property	181	3,223	—	—	—	5	3,409
Licenses and permits	3,894	—	—	—	—	—	3,894
Federal aid	2,553	—	1,166	4,158	13,236	2,152	23,265
State aid	104,774	287	7,978	4,330	—	2,080	119,449
Local sources and other	23,296	1,545	772	23	2,710	9,768	38,114
Total revenues	471,392	5,055	9,916	8,511	15,946	44,275	555,095
EXPENDITURES							
Current:							
General government	133,224	—	18,164	—	67	8,545	160,000
Neighborhood business development	8,313	—	55	—	15,705	1,207	25,280
Environmental services	19,098	—	3	321	—	9,923	29,345
Transportation	4,667	—	14,342	3,161	—	116	22,286
Emergency communications	12,929	—	—	—	—	—	12,929
Police department	87,671	—	—	—	—	1,760	89,431
Fire department	46,947	—	5	—	—	346	47,298
Library	—	—	18	—	—	11,603	11,621
Recreation and youth services	9,937	—	242	—	—	1,124	11,303
Education	119,100	—	—	—	—	—	119,100
Debt service:							
Principal retirement	14,005	—	—	—	—	760	14,765
Interest	4,369	—	—	—	—	179	4,548
Administrative charges	7	—	—	—	—	—	7
Capital outlay:							
General government	—	—	22,141	—	—	—	22,141
Neighborhood business development	—	—	—	—	—	76	76
Environmental services	—	—	418	—	—	—	418
Transportation	—	—	200	15,077	—	—	15,277
Library	—	—	—	—	—	758	758
Recreation and youth services	—	—	—	—	—	807	807
Total expenditures	460,267	—	55,588	18,559	15,772	37,204	587,390
Excess (deficiency) of revenues over (under) expenditures	11,125	5,055	(45,672)	(10,048)	174	7,071	(32,295)
OTHER FINANCING SOURCES (USES)							
Proceeds of general obligation debt	—	—	3,347	16,065	—	1,210	20,622
Transfers in	15,516	1,997	16,126	6,067	—	1,722	41,428
Transfers out	(25,332)	(3,649)	(1,104)	(4,870)	(479)	(7,218)	(42,652)
Total other financing sources (uses)	(9,816)	(1,652)	18,369	17,262	(479)	(4,286)	19,398
Net change in fund balances	1,309	3,403	(27,303)	7,214	(305)	2,785	(12,897)
Fund balances (deficit) - beginning	85,938	20,850	70,471	(16,181)	5,078	24,490	190,646
Fund balances (deficit) - ending	\$ 87,247	\$ 24,253	\$ 43,168	\$ (8,967)	\$ 4,773	\$ 27,275	\$ 177,749

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, 2016 (000's Omitted)

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

Net change in fund balances - total governmental funds	\$ (12,897)
Change in net position of internal service fund reported in governmental activities	3,535
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Governmental funds report capital outlays of \$54,127 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 \$28,807. This is the amount by which capital outlays exceeded depreciation in the current period.	25,320
Change in accrual of interest payable on notes and bonds payable	13
Change in accrual of unrestricted governmental aid	(120)
Change in accrual of property tax	(2,835)
Change in accrual of sales tax	395
Change in pollution remediation liability	1,084
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 proceeds and principal payment	(5,857)
Premium liability	(1,791)
OPEB expense is not reported in the governmental funds.	(60,749)
NYS Canal lease expense is not reported in the governmental funds.	91
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Workers' compensation	79
Compensated absences	(648)
Retirement amortization	915
Net pension expense and net deferred outflow and inflows	(13,659)
Change in net position of governmental activities	<u>\$ (67,124)</u>

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016 (000's Omitted)

	Business-type Activities						Governmental Activities	
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market	Total Enterprise Funds	Internal Service Funds
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 13,811	\$ 5,761	\$ 708	\$ 22,389	\$ 3,412	\$ 1,677	\$ 47,758	\$ 49,517
Receivables (net of allowance for uncollectibles)	13,200	1,305	794	3,084	466	—	18,849	—
Due from other funds	2,901	2,254	—	646	33	13	5,847	7,303
Due from other governments	1	—	226	—	—	—	227	—
Cash and equivalents - restricted	9,751	5,115	56	161	461	163	15,707	—
Due from other governments - restricted	6	—	—	—	—	—	6	—
Total current assets	39,670	14,435	1,784	26,280	4,372	1,853	88,394	56,820
Noncurrent assets:								
Capital assets:								
Land	572	9,468	165	30	139	717	11,091	—
Buildings	45,996	145,289	45,763	509	7,579	1,873	247,009	—
Machinery, equipment, and vehicles	7,065	3,365	6,373	16,909	1,801	168	35,681	—
Improvements other than buildings	280,720	2,212	60	671	2,111	3,186	288,960	—
Construction in progress	288	2,617	24	—	1,273	1,834	6,036	—
Less accumulated depreciation	(159,302)	(90,673)	(26,926)	(16,398)	(4,200)	(3,041)	(300,540)	—
Total noncurrent assets	175,339	72,278	25,459	1,721	8,703	4,737	288,237	—
Total assets	215,009	86,713	27,243	28,001	13,075	6,590	376,631	56,820
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows of resources - pension	1,660	456	—	1,466	180	64	3,826	—
Total deferred outflows of resources	1,660	456	—	1,466	180	64	3,826	—
Total assets and deferred outflows of resources	\$ 216,669	\$ 87,169	\$ 27,243	\$ 29,467	\$ 13,255	\$ 6,654	\$ 380,457	\$ 56,820
LIABILITIES								
Current liabilities:								
Accounts payable and other accrued liabilities	\$ 1,803	\$ 1,454	\$ 75	\$ 2,153	\$ 688	\$ 148	\$ 6,321	\$ 16,360
Accrued interest payable	897	336	139	—	15	2	1,389	—
Workers' compensation, current portion	626	51	—	1,594	21	4	2,296	—
Bond anticipation notes payable	9,206	6,594	250	—	—	258	16,308	—
Bonds payable	6,688	2,303	943	—	126	—	10,060	—
Due to other funds	243	801	6	750	195	62	2,057	1,169
Due to other governments	344	82	—	304	31	13	774	—
Unearned revenue	—	73	—	—	292	—	365	—
Total current liabilities	19,807	11,694	1,413	4,801	1,368	487	39,570	17,529
Noncurrent liabilities:								
Workers' compensation	1,460	119	—	3,718	48	9	5,354	—
Bonds payable	48,116	14,271	8,819	—	830	—	72,036	—
Due to other governments	374	96	—	315	39	15	839	—
OPEB liability	16,553	3,153	—	14,880	1,585	424	36,595	—
Aggregate net pension liability	1,767	485	—	1,574	199	68	4,093	—
Total noncurrent liabilities	68,270	18,124	8,819	20,487	2,701	516	118,917	—
Total liabilities	88,077	29,818	10,232	25,288	4,069	1,003	158,487	17,529
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources - pension	212	59	—	185	22	8	486	—
Total deferred inflows of resources	212	59	—	185	22	8	486	—
NET POSITION								
Net investment in capital assets	\$ 121,081	\$ 54,226	\$ 15,503	\$ 1,883	\$ 8,207	\$ 4,642	\$ 205,542	\$ —
Restricted for:								
Capital projects	—	—	1,044	10,677	1,628	215	13,564	—
Debt service	2,760	746	16	—	36	4	3,562	—
Health insurance	—	—	—	—	—	—	—	21,178
Unrestricted (deficit)	4,539	2,320	448	(8,566)	(707)	782	(1,184)	18,113
Total net position	128,380	57,292	17,011	3,994	9,164	5,643	221,484	39,291
Total liabilities, deferred inflows of resources and net position	\$ 216,669	\$ 87,169	\$ 27,243	\$ 29,467	\$ 13,255	\$ 6,654	\$ 380,457	\$ 56,820

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (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	\$ 37,298	\$ 11,553	\$ 994	\$ 27,317	\$ 1,467	\$ 819	\$ 79,448	\$ 63,126
Total operating revenues	37,298	11,553	994	27,317	1,467	819	79,448	63,126
OPERATING EXPENSES								
Personal services	6,978	2,007	—	6,749	1,166	270	17,170	—
Supplies and materials	9,096	6,894	608	12,577	1,090	497	30,762	—
Employee benefits	7,767	1,911	11	8,475	801	152	19,117	—
Claims settlement	—	—	—	—	—	—	—	66,229
Depreciation	7,328	3,947	929	1,177	479	180	14,040	—
Total operating expenses	31,169	14,759	1,548	28,978	3,536	1,099	81,089	66,229
Operating income (loss)	6,129	(3,206)	(554)	(1,661)	(2,069)	(280)	(1,641)	(3,103)
NONOPERATING REVENUES (EXPENSES)								
Real property tax	—	422	638	—	1,490	91	2,641	—
Other taxes	—	—	905	—	—	—	905	—
Interest and penalties	1,176	48	—	—	5	—	1,229	—
Interest on investments	128	96	4	2	4	4	238	40
Federal aid	3	2	—	—	—	—	5	—
Interest expense	(1,907)	(836)	(520)	—	(29)	(2)	(3,294)	—
Total nonoperating revenues (expenses)	(600)	(268)	1,027	2	1,470	93	1,724	40
Income(loss) before contributions and transfers	5,529	(3,474)	473	(1,659)	(599)	(187)	83	(3,063)
Capital contributions	244	461	—	—	—	728	1,433	—
Transfers in	—	—	—	—	—	—	—	6,598
Transfers out	(5,374)	—	—	—	—	—	(5,374)	—
Change in net position	399	(3,013)	473	(1,659)	(599)	541	(3,858)	3,535
Net position - beginning	127,981	60,305	16,538	5,653	9,763	5,102	225,342	35,756
Net position - ending	\$ 128,380	\$ 57,292	\$ 17,011	\$ 3,994	\$ 9,164	\$ 5,643	\$ 221,484	\$ 39,291

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, 2016 (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	\$ 37,111	\$ 11,673	\$ 987	\$ 26,939	\$ 1,554	\$ 819	\$ 79,083	\$ 63,126
Payments to suppliers	(9,681)	(6,725)	(841)	(12,281)	(772)	(464)	(30,764)	(61,097)
Payments to employees	(12,074)	(3,107)	(11)	(12,136)	(1,713)	(342)	(29,383)	—
Net cash provided by (used for) operating activities	15,356	1,841	135	2,522	(931)	13	18,936	2,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Real property taxes and other taxes	—	422	1,543	—	1,490	91	3,546	—
Transfers (to) from other funds	(8,285)	(809)	145	2,051	158	186	(6,554)	1,486
Operating grants	4	2	—	—	—	—	6	—
Net cash provided by (used for) noncapital financing activities	(8,281)	(385)	1,688	2,051	1,648	277	(3,002)	1,486
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sales of bonds and notes	6,827	5,563	—	—	—	258	12,648	—
Capital contributions	244	461	—	—	—	728	1,433	—
Capital grants	—	—	—	—	—	—	—	—
Principal paid on bonds and notes	(6,795)	(2,899)	(940)	—	(110)	—	(10,744)	—
Interest expense paid on bonds and notes	(74)	(448)	(494)	—	(42)	—	(1,058)	—
Acquisition and construction of capital assets	(7,899)	(3,038)	(578)	(42)	(1,270)	(998)	(13,825)	—
Net cash used for capital and related financing activities	(7,697)	(361)	(2,012)	(42)	(1,422)	(12)	(11,546)	—
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received from investments and customers	1,304	144	4	2	9	4	1,467	40
Net cash provided by investing activities	1,304	144	4	2	9	4	1,467	40
Net increase (decrease) in cash and cash equivalents	682	1,239	(185)	4,533	(696)	282	5,855	3,555
Cash and cash equivalents at beginning of year	22,880	9,637	949	18,017	4,569	1,558	57,610	45,962
Cash and cash equivalents at end of year	<u>\$ 23,562</u>	<u>\$ 10,876</u>	<u>\$ 764</u>	<u>\$ 22,550</u>	<u>\$ 3,873</u>	<u>\$ 1,840</u>	<u>\$ 63,465</u>	<u>\$ 49,517</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 6,129	\$ (3,206)	\$ (554)	\$ (1,661)	\$ (2,069)	\$ (280)	\$ (1,641)	\$ (3,103)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	7,328	3,947	929	1,177	479	180	14,040	—
(Increase) decrease in customer receivables	(187)	127	(7)	(376)	36	—	(407)	—
Increase (decrease) in accounts payable - supplier	(585)	162	(233)	295	369	38	46	5,132
Increase (decrease) in compensated absences	(16)	(7)	—	8	(3)	—	(18)	—
Increase (decrease) in salaries & benefits payable	2,687	818	—	3,079	257	75	6,916	—
Total adjustments	9,227	5,047	689	4,183	1,138	293	20,577	5,132
Net cash provided by (used for) operating activities	<u>\$ 15,356</u>	<u>\$ 1,841</u>	<u>\$ 135</u>	<u>\$ 2,522</u>	<u>\$ (931)</u>	<u>\$ 13</u>	<u>\$ 18,936</u>	<u>\$ 2,029</u>

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (000's Omitted)

	Private-purpose Trust funds	Agency funds
ASSETS		
Cash and cash equivalents	\$ 693	\$ 15,379
Investments	2,699	—
Receivables (net of allowance for uncollectibles)	—	259
Total assets	<u>3,392</u>	<u>15,638</u>
LIABILITIES		
Accounts payable and other accrued liabilities	<u>168</u>	<u>15,638</u>
Total liabilities	<u>168</u>	<u>\$ 15,638</u>
NET POSITION		
Net position held in trust and other purposes	<u>\$ 3,224</u>	

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, 2016 (000's Omitted)

	Private-purpose Trust funds
ADDITIONS	
Contribution	\$ 298
Net investment earnings	98
Total additions	396
DEDUCTIONS	
Community services	683
Total deductions	683
Change in net position	(287)
Net position - beginning	3,511
Net position - ending	\$ 3,224

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.

Based on the financial accountability factors the RLBC was determined to be a discretely presented component unit. It is primarily funded by a New York State grant for the purchase and redevelopment of tax foreclosed properties and city taxes for operations. The component unit provides services directly to the public and not for the primary government and therefore it is discretely presented.

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 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 city.

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 City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2016, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* which supersedes Statement No. 10, paragraph 44; Statement No. 25, footnote 7; Statement No. 31, paragraph 3; Statement No. 43, footnote 4; Statement No. 53, paragraph 21 and footnotes 9 and 11; Statement No. 62, footnote 54; and Statement No. 67, footnote 7.

In addition to Statement No. 72 superseding the above, it also amends Statement No. 3, paragraph 116; Statement No. 10, paragraphs 42, 43, and 46; Statement No. 14, Paragraph 55; Statement No. 25, paragraphs 24, 32, 41, and 44; Statement No. 31, paragraphs 2, 5, 7, 15 and 22; Statement No. 34, paragraphs 18 and 27; Statement No. 43, paragraphs 22, 30, and 46; Statement No. 51, paragraph 3; Statement No. 52, paragraph 2; Statement No. 53, paragraphs 69 and 82; Statement No. 60, paragraph 9; Statement No. 61, paragraph 10; Statement No. 62, paragraphs 137, 203, 204, 373, 409, 424, and 425; and Statement No. 67, paragraphs 18 and 30.

The GASB has issued the following new statements:

- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending June 30, 2018.
- Statement No. 77, *Tax Abatement Disclosures*, which will be effective for the year ending June 30, 2017.
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which will be effective for the year ending June 30, 2017.
- Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which will be effective for the year ending June 30, 2017.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, which will be effective June 30, 2018.

- Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which will be effective June 30, 2017.

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, 2016, the City had a legal margin of \$25,306,000.

G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. Deposits and Investments

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

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

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

The City, in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and Statement No. 79, *Certain External Investment Pools and Pool Participants*, 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 or constructed 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category; the deferred outflow related to pensions reported in the government-wide Statement of Net Position.

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

5. Unearned Revenue

Unearned revenue is a liability for resources obtained prior to revenue recognition. The unearned revenue of \$10,699,000 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days, \$38,293,000 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, 2016, \$292,000 in the City's Cemetery Fund relates primarily to charges for future care of grave sites, \$73,000 in the City's Parking Fund relates primarily to prepaid monthly parking fees and \$40,000 in the Animal Control Fund relates to charges for future promotion of shelter animals for adoption and adoption preparation expenses, such as vaccination and sterilization.

The District received cash in advance of expenditures in the amount of \$1,669 in the General fund at June 30, 2016 for lease prepayments associated with the utilization of the Pleasant Street parking lot and for July COBRA insurance. The District also received cash in advance of expenditures in the amount of \$2,448,000 for Special Aid fund projects during fiscal year 2015-16. These funds represent receipts for various grants that were not fully spent as of June 30, 2016. As the funds are spent during fiscal year 2016-17, revenue will be recognized.

6. Compensated Absences

It is the City's policy to pay employees for unused vacation and compensatory time when there is a separation from service. 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, 2016, the liability for Governmental Activities was \$17,230,000 and \$1,114,000 for Business-type Activities.

7. Long-term Obligations

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

8. Net Position Flow Assumption

There are times when the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balances — Governmental Funds

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Under the City Charter, the Director of Finance has the authority to assign fund balance for specific purposes. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

10. Encumbrances & Commitments

Encumbrances are recorded at the time a purchase order, construction contract or service agreement is finalized. In governmental funds, commitments are encumbered and reported as either assigned or committed fund balances since they do not constitute expenditures or liabilities. Total encumbrances in the General fund were \$5,147,000 at year end. These were substantially for environmental services purposes including \$1,058,000 for utilities, maintenance, fuel and security systems and general government purposes were \$2,512,000 which included recreation programs, medical services, and employee training.

11. Cash and Cash Equivalent

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council appropriates a total expenditure budget based on projected revenues. The budget allocations among the various organizational units, as amended by City Council, are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - 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 \$3,923,500. Estimated revenues increased by \$2,712,400, transfers to other funds increased by \$8,050,700 and transfers from other funds increased by \$1,414,800. Appropriation of fund balance remained unchanged.

B. DEFICIT FUND EQUITY

It has been the City's practice to fund capital projects for up to five years with bond anticipation notes, then convert to bonds when the final project costs are known and when long-term rates are most favorable, minimizing interest costs for the City. Thus, deficit fund balances reported in the Capital Project Funds is temporary and will be eliminated once the bond anticipation notes are converted to bonds.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As established by charter, the City Treasurer is delegated the authority to establish and control uniform cash management policies that apply to the City and the School District. Thus, the following risk assessments apply to cash, cash equivalents, and investments of the primary government and the component unit.

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

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

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

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

1. Deposits

At year-end, the total carrying amount of the City's deposits net of outstanding checks, including certificates of deposit, was \$250,382,000 and the bank balance was \$247,296,000. 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 \$66,209,000. 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 \$65,050,000; money markets at fair value of \$65,050,000. 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 \$70,257,000. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party. Please note the amount reported is on an adjusted basis, not cash bank balance basis.

3. Investments

Year ended June 30, 2016, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Fair Value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. It gives the highest priority to unadjusted quoted prices in active markets for

identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques use should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Cash Equivalents - The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1.

Common stocks, government bonds, and corporate bonds - Valued at the closing price reported on the active market on which the individual securities are listed.

Mutual Funds - Valued at the net asset value (NAV) of shares held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At year end, the City had \$2,699,000 of Library trust funds invested. The Library's investments were measured at fair value on a recurring basis at June 30, 2016 and were all considered Level 1:

Cash and cash equivalent	\$ 17,000
Common stocks:	
Consumer discretionary	140,000
Consumer staples	145,000
Energy	31,000
Financial	57,000
Healthcare & pharmaceuticals	173,000
Industrials	91,000
Technology	267,000
Materials	50,000
Real estate	13,000
Telecommunications	<u>12,000</u>
Total common stocks	979,000
Mutual funds:	
Equity income	254,000
Real estate	<u>176,000</u>
Total mutual funds	430,000
Governmental bonds:	
Mortgage notes	359,000
U. S. Treasury	<u>315,000</u>
Total government bonds	674,000

Corporate bonds:	
Financial/investment	599,000
Total corporate bonds	<u>599,000</u>
 Total	 <u><u>\$ 2,699,000</u></u>

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

B. RECEIVABLES AND PAYABLES

The Primary Government had \$80,966 in accounts receivable at year-end. A significant receivable in the governmental activities was \$58,504 in economic development and housing loans made from the Community Development Special Revenue Fund. Significant business-type receivables were \$13,200 in the Water Fund, \$3,084 in the Refuse Fund, \$794 in the War Memorial Fund, \$466 in the Cemetery Fund and \$1,305 in the Parking Fund.

Receivables are reported net of allowance for uncollectibles, which were established based on current collection experience. Allowances for uncollectibles for major revenue sources are as follows: General Fund property taxes (\$16,194), Water Fund (\$2,179) and Refuse Fund (\$4,674).

The amount due from other governments to the City, as presented in the governmental fund level statements as of June 30, 2016, was \$77,937. This was comprised of the following items: \$19,764 from New York State, \$46,002 from Monroe County, \$789 from the Federal Government, and \$11,382 from others.

The amount due from other governments and the primary government to the School District as of June 30, 2016 was \$64,894. This was comprised of the following items: \$37,227 from New York State, \$19,801 from the Federal Government and \$7,866 from other sources.

The Primary Government had \$71,353 in accounts payable and accrued liabilities at year-end. This amount also includes Compensated Absences (See Note I.G.6), as well as invoices expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

The School District had \$62,197 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, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 25,182	\$ —	\$ 252	\$ 24,930
Construction in progress	8,174	16,646	18,973	5,847
Total capital assets, not being depreciated	33,356	16,646	19,225	30,777
Capital assets, being depreciated:				
Buildings	250,732	4,686	781	254,637
Improvements other than buildings	58,971	16,700	134	75,537
Machinery, equipment, and vehicles	107,587	10,023	4,120	113,490
Infrastructure	620,179	26,651	586	646,244
Total capital assets being depreciated	1,037,469	58,060	5,621	1,089,908
Less accumulated depreciation for:				
Buildings	106,821	7,120	610	113,331
Improvements other than buildings	24,695	2,401	63	27,033
Machinery, equipment, and vehicles	73,584	8,446	3,545	78,485
Infrastructure	159,827	10,840	49	170,618
Total accumulated depreciation	364,927	28,807	4,267	389,467
Total capital assets, being depreciated, net:	672,542	29,253	1,354	700,441
Governmental activities capital assets, net:	\$ 705,898	\$ 45,899	\$ 20,579	\$ 731,218

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

Class	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 11,091	\$ —	\$ —	\$ 11,091
Construction in progress	5,101	5,622	4,687	6,036
Total capital assets, not being depreciated	16,192	5,622	4,687	17,127
Capital assets, being depreciated:				
Buildings	242,546	4,764	301	247,009
Improvements other than buildings	281,585	7,387	12	288,960
Machinery, equipment, and vehicles	34,799	1,023	141	35,681
Total capital assets being depreciated	558,930	13,174	454	571,650
Less accumulated depreciation for:				
Buildings	128,099	5,866	22	133,943
Improvements other than buildings	130,602	6,165	9	136,758
Machinery, equipment, and vehicles	27,966	2,009	136	29,839
Total accumulated depreciation	286,667	14,040	167	300,540
Total capital assets, being depreciated, net:	272,263	(866)	287	271,110
Business-type activities capital assets, net:	<u>\$ 288,455</u>	<u>\$ 4,756</u>	<u>\$ 4,974</u>	<u>\$ 288,237</u>

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

Governmental activities:

General Government	\$ 4,883
Police	2,534
Fire	1,812
Emergency Communications	306
Transportation	10,840
Environmental Services	3,581
Recreation & Youth Services	1,992
Library	963
Neighborhood & Business Development (NBD)	1,896
Total depreciation expense - governmental activities	<u>\$ 28,807</u>

Business-type activities:

Water	\$ 7,328
Parking	3,947
War Memorial	929
Refuse	1,177
Cemetery	479
Public market	180
Total depreciation expense - business-type activities	<u>\$ 14,040</u>
Total depreciation - Primary Government	<u><u>\$ 42,847</u></u>

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

Class	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 17,464	\$ —	\$ 115	\$ 17,349
Construction in progress	18,015	64,323	19,611	62,727
Total capital assets, not being depreciated	35,479	64,323	19,726	80,076
Capital assets, being depreciated:				
Buildings and improvements	815,856	17,979	23,699	810,136
Equipment and other	55,998	3,059	3,503	55,554
Total capital assets being depreciated	871,854	21,038	27,202	865,690
Less accumulated depreciation for:				
Buildings and improvements	292,144	27,590	12,202	307,532
Equipment and other	42,643	4,537	3,441	43,739
Total accumulated depreciation	334,787	32,127	15,643	351,271
Total capital assets, being depreciated, net:	537,067	(11,089)	11,559	514,419
School District Capital Assets, net:	<u>\$ 572,546</u>	<u>\$ 53,234</u>	<u>\$ 31,285</u>	<u>\$ 594,495</u>

D. CURRENT DEBT RELATED LIABILITIES

The following tables summarize changes in the City's current debt related liabilities for the year ended June 30, 2016:

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
Bond Anticipation Notes					
Public improvement	\$ 36,919	\$ 17,349	\$ (24,009)	\$ 30,259	\$ 30,259
Library	510	202	(474)	238	238
Local Works	360	1,110	—	1,470	1,470
Total Bond Anticipation Notes	\$ 37,789	\$ 18,661	\$ (24,483)	\$ 31,967	\$ 31,967

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
Bond Anticipation Notes					
Water	\$ 20,383	\$ 6,828	\$ (18,005)	\$ 9,206	\$ 9,206
War Memorial	600	—	(350)	250	250
Parking	4,723	5,563	(3,692)	6,594	6,594
Public Market	—	258	—	258	258
Total Bond Anticipation Notes	\$ 25,706	\$ 12,649	\$ (22,047)	\$ 16,308	\$ 16,308

As of June 30, 2016, the City had two Bond Anticipation Notes, one for \$31,635 at 1.50% maturing August 5, 2016 and one for \$34,640 at 2% maturing March 14, 2017. These BANS were the combined short term financing for capital projects in governmental activities, business-type activities and for the school district.

The following table summarizes changes in the School District's current debt related liabilities for the year ended June 30, 2016:

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
Bond Anticipation Notes					
Capital Projects Fund	\$ 20,000	\$ 18,000	\$ (20,000)	\$ 18,000	\$ 18,000
Total Bond Anticipation Notes	\$ 20,000	\$ 18,000	\$ (20,000)	\$ 18,000	\$ 18,000

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2016:

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds					
Public improvement	\$ 81,520	\$ 20,182	\$ (13,665)	\$ 88,037	\$ 15,107
Sewer	975	—	(340)	635	280
Library	1,190	440	(505)	1,125	240
Local Works	2,745	—	(255)	2,490	260
Premium	7,677	2,670	(880)	9,467	896
Total General Obligation Bonds	94,107	23,292	(15,645)	101,754	16,783
Other Noncurrent Liabilities					
NYS Canal Corp. Lease	364	—	(91)	273	91
Workers' Compensation	15,100	3,805	(3,884)	15,021	4,506
Pollution Remediation	8,076	810	(1,893)	6,993	—
OPEB Liability	361,263	87,109	(26,360)	422,012	—
Due to Other Governments - Pension Amortization	8,333*	—	(915)	7,418*	—
Total Other Noncurrent Liabilities	393,136	91,724	(33,143)	451,717	4,597
TOTAL NONCURRENT LIABILITIES	\$ 487,243	\$ 115,016	\$ (48,788)	\$ 553,471	\$ 21,380

*This amount is only the noncurrent portion of the NYS Pension Liability Amortization.

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
General Obligation Bonds					
Water	\$ 39,590	\$ 16,425	\$ (5,215)	\$ 50,800	\$ 6,345
Parking	14,910	3,393	(2,600)	15,703	2,228
War Memorial	10,315	300	(889)	9,726	940
Cemeteries	970	—	(110)	860	115
Premium	2,819	2,605	(417)	5,007	432
Total General Obligation Bonds	68,604	22,723	(9,231)	82,096	10,060
Other Noncurrent Liabilities					
Workers' Compensation	6,523	2,833	(1,706)	7,650	2,296
OPEB Liability	30,969	7,057	(1,431)	36,595	—
Due to Other Governments - Pension Amortization	942*	—	(103)	839*	—
Total Other Noncurrent Liabilities	38,434	9,890	(3,240)	45,084	2,296
TOTAL NONCURRENT LIABILITIES	\$ 107,038	\$ 32,613	\$ (12,471)	\$ 127,180	\$ 12,356

*This amount is only the noncurrent portion of the NYS Pension Liability Amortization.

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's noncurrent and debt-related liabilities for the year ended June 30, 2016:

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

	Balance July 1, 2015	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2016	Due Within One Year
General Obligation and Revenue Bonds					
General Fund	\$ 137,920	\$ 18,880	\$ (17,530)	\$ 139,270	\$ 19,820
RJSCB School Facility Revenue Bonds	257,970	—	(12,090)	245,880	14,295
Premium	38,181	2,248	(2,949)	37,480	2,949
TOTAL GENERAL OBLIGATION AND REVENUE BONDS	434,071	21,128	(32,569)	422,630	37,064
Other Noncurrent Liabilities					
OPEB Liability	207,652	44,974	(22,047)	230,579	—
NYS Lottery Advance	13,333	—	(666)	12,667	667
NYS Employees' Retirement Pension	13,911	455	—	14,366	—
NYS Teachers' Retirement Pension	4,327	1,339	(336)	5,330	501
Claims Payable	23,606	5,463	(4,859)	24,210	5,805
Compensated Absences	1,985	7,272	(7,590)	1,667	1,668
Installment Purchase Debt	6,855	—	(2,845)	4,010	2,852
Total Other Noncurrent Liabilities	271,669	59,503	(38,343)	292,829	11,493
TOTAL NONCURRENT LIABILITIES	\$ 705,740	\$ 80,631	\$ (70,912)	\$ 715,459	\$ 48,557

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.

Debt Service Requirements

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

Fiscal year Ending June 30	Governmental Activities		Business-Type Activities		School District		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 15,887	\$ 3,821	\$ 9,628	\$ 3,307	\$ 19,820	\$ 5,715	\$ 58,178
2018	14,455	3,123	9,015	2,878	19,105	4,870	53,446
2019	12,930	2,446	8,880	2,451	17,970	4,024	48,701
2020	9,610	1,881	8,575	2,039	17,280	3,208	42,593
2021	7,775	1,448	8,220	1,635	15,890	2,431	37,399
2022-2026	26,065	3,086	26,695	3,808	39,095	4,927	103,676
2027-2032	5,565	369	6,075	295	10,110	654	23,068
Total	<u>\$ 92,287</u>	<u>\$ 16,174</u>	<u>\$ 77,088</u>	<u>\$ 16,413</u>	<u>\$ 139,270</u>	<u>\$ 25,829</u>	<u>\$ 367,061</u>

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

Outstanding Bond Issues - June 30, 2016

Issue	Rate(%)	Principal Balance	Final Maturity	Original Balance	Capital Project Fund Categories
General Obligation-1994, Series A	5.000	\$ 2,210,000	08/15/22	\$63,577,000	G,L,P,R,S,W,Sch
General Obligation-1996, Series A	5.000	285,000	09/15/23	70,690,000	G,L,P,S,W,Sch
General Obligation-1996, Series B (Taxable)	6.700	2,880,000	09/15/24	9,380,000	Parking only
General Obligation Serial Bonds-1997	5.000	2,980,000	10/01/25	55,960,000	G,L,P,S,W,Sch
General Obligation Serial Bonds-1999	5.250	8,055,000	10/01/26	69,575,000	G,W,S,L,WM,Sch
General Obligation Serial Bonds-2001, Series A	4.500	540,000	10/15/27	29,275,000	G,L,S,W,Sch
General Obligation Serial Bonds-2001, Series B	5.000	1,370,000	02/15/28	35,350,000	G,S,PM,WM,W,Sch
General Obligation Serial Bonds-2006, Series A	4.000	20,525,000	02/15/25	58,320,000	G,S,W,Sch
General Obligation Serial Bonds-2006, Series B	3.750	5,290,000	10/15/24	41,800,000	G,S,W,P,Sch
General Obligation Serial Bonds-2008, Series A	3.250	3,385,000	02/01/22	19,005,000	G,S,W,P
General Obligation Serial Bonds-2008, Series B	3.500	11,235,000	10/15/26	39,220,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C1	5.110	34,560,000	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-2012, Series I	4.000	45,400,000	08/15/27	66,943,000	G,S,L,W,P,Sch
General Obligation Serial Bonds-2012, Series II	2.000	1,905,000	08/15/19	5,655,000	School only
General Obligation Serial Bonds-2012, Series III	4.000	6,080,000	02/15/25	9,640,000	School only
General Obligation Serial Bonds-2012, Series IV	3.000	12,380,000	10/15/31	14,655,000	G,S,W,Sch
General Obligation Serial Bonds-2012, Series V	4.000	14,020,000	02/15/31	19,390,000	G,S,W,P,Sch
General Obligation Serial Bonds-2013, Series I	4.000	24,215,000	02/01/25	29,150,000	G,L,W,P,C
General Obligation Serial Bonds-2013, Series II	5.000	46,665,000	02/01/29	67,470,000	G,W,P,Sch
General Obligation Serial Bonds-2015, Series I	4.000	59,620,000	08/01/30	59,620,000	G,L,W,WM,P,Sch
Total		\$ 308,645,000			

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

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 2032. Bonds authorized but unissued as of June 30, 2016 amounted to \$43,545. The debt- contracting margin of the City as of June 30, 2016, was \$230,526.

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 2016.

F. POLLUTION REMEDIATION

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

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

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

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

During the fiscal year, the City recognized estimated additional liabilities of \$810,000 and spent \$1,893,000 in pollution remediation obligation related activities. At June 30, 2016, the City had an outstanding pollution remediation liability of \$6,993,000.

G. TRANSFER OF SEWER AND WASTE DISPOSAL FACILITIES

Effective January 2011 the City entered into a contract with the Rochester Pure Waters District (RPW D) under which the City agreed to transfer all of its sewer system and waste treatment facilities to RPW D. 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, 2016, capital assets with an acquisition cost of \$4,349,500 and a net book value of \$3,549,080 remain to be transferred to RPW D because of outstanding bonds. The transfer of all remaining capital assets from the City to RPW D is scheduled to be completed by June 30, 2021.

Prior to this agreement, the City had a contract with the Rochester Pure Waters District (RPW D), under which RPW D 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, 2016, the accrued lease liability (net of receivables from a sublease) was \$273,000. 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. FUND BALANCES - GOVERNMENTAL FUNDS

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

- **Nonspendable** - amounts that cannot be spent either because they are in nonspendable 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, 2016.

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

As of June 30, 2016, governmental fund balances were classified as follows (000's omitted):

	Capital Projects				Special Revenue		Total Governmental Funds
	General	Debt Service	General	Transportation	Community Development	Nonmajor Governmental	
Restricted:							
Debt service	\$ —	\$ 8,274	\$ —	\$ —	\$ —	\$ —	\$ 8,274
Community development	—	—	—	—	3,901	—	3,901
Federal projects	—	—	—	—	—	3,188	3,188
Foreign fire insurance	—	—	—	—	—	—	—
State projects	—	—	—	—	—	2,206	2,206
Committed:							
Retirement costs	17,429	—	—	—	—	—	17,429
Property tax relief	24,207	—	—	—	—	—	24,207
Capital projects	—	—	42,605	—	—	—	42,605
Federal block grant	—	—	—	—	872	—	872
Cultural & recreation - Capital	—	—	—	—	—	713	713
Cemetery perpetual care	—	—	—	—	—	5,338	5,338
Economic development	—	—	—	—	—	2,720	2,720
Assigned:							
Open purchase orders and contracts:							
General government	2,512	—	—	—	—	—	2,512
Police	588	—	—	—	—	—	588
Fire	342	—	—	—	—	—	342
Emergency communications	229	—	—	—	—	—	229
Environmental services	1,058	—	—	—	—	—	1,058
Recreation & youth services	322	—	—	—	—	—	322
Neighborhood & business development	96	—	—	—	—	—	96
Subsequent year's expenditures	5,030	—	—	—	—	—	5,030
Retirement costs	10,500	—	—	—	—	—	10,500
Property tax relief	5,339	—	—	—	—	—	5,339
Postemployment benefits	7,923	—	—	—	—	—	7,923
Debt service	—	15,979	—	—	—	—	15,979
Capital projects	6,000	—	563	—	—	—	6,563
Animal control	—	—	—	—	—	267	267
Library	—	—	—	—	—	507	507
Local works	—	—	—	—	—	9,753	9,753
Downtown programs	—	—	—	—	—	2,583	2,583
Unassigned:							
Capital projects fund - Transportation	—	—	—	(8,967)	—	—	(8,967)
General fund	5,672	—	—	—	—	—	5,672
Totals	\$ 87,247	\$ 24,253	\$ 43,168	\$ (8,967)	\$ 4,773	\$ 27,275	\$ 177,749

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, 2016, the amount of these liabilities was \$35,046,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2014 resulted from the following (000's Omitted):

	Workers' Compensation	General Liability	Total
Estimated claims June 30, 2014	\$ 16,688	\$ 2,881	\$ 19,569
Claims incurred 2014-15	9,897	10,103	20,000
Payments 2014-15	(4,962)	(5,539)	(10,501)
Estimated claims June 30, 2015	\$ 21,623	\$ 7,445	\$ 29,068
Claims incurred 2015-16	6,638	12,696	19,334
Payments 2015-16	(5,590)	(7,764)	(13,354)
Estimated claims June 30, 2016	\$ 22,671	\$ 12,377	\$ 35,048

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 District's estimated claims at June 30, 2016 for its 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 student accident program is no longer self-insured, effective fiscal 2014-15. Any claim payments made during fiscal 2015-16 were expenditures from prior year claims.

	Workers' Compensation	Student Accident	Total
Estimated claims June 30, 2014	\$ 5,163	\$ 38	\$ 5,201
Claims incurred 2014-15	4,699	18	4,717
Payments & reductions 2014-15	(4,386)	(48)	(4,434)
Estimated claims June 30, 2015	\$ 5,476	\$ 8	\$ 5,484
Claims incurred 2015-16	5,189	—	5,189
Payments & reductions 2015-16	(4,860)	(8)	(4,868)
Estimated claims June 30, 2016	\$ 5,805	\$ —	\$ 5,805

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 Excellus Blue Cross/Blue Shield of Rochester) 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, 2015, the effective date of the biannual OPEB valuation, follows:

	City	School District	Total
Active employees	2,973	5,325	8,298
Retired employees	3,198	3,894	7,092
Total	6,171	9,219	15,390

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, 2016, the City's annual OPEB cost (expense) of \$94,159,000 is not equal to the annual required contribution which is \$66,683,000. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$27,802,000 for retirees and their beneficiaries, the result was an increase in the Net OPEB Obligation of \$66,375,000 for the year ended June 30, 2016.

Considering the District's annual expense as well as the payment of current health insurance premiums, which totaled \$22,047,000, the result was an increase in the District's Net OPEB Obligation of \$22,928,000 for the year ended June 30, 2016.

Level Dollar Amortization (000's Omitted):

Calculation of ARC under Projected Unit Credit Method

	City	School District	Total
Annual required contribution (ARC)	\$ 66,683	\$ 45,371	\$ 112,054
Interest on Net OPEB Obligation	15,689	8,306	23,995
Adjustment to ARC	11,787	(8,703)	3,084
Annual OPEB cost (expense)	94,159	44,974	139,133
Contribution for fiscal year ended June 30, 2016	(27,785)	(22,047)	(49,832)
Increase in net OPEB obligation	66,374	22,927	89,301
Net OPEB obligation July 1, 2015	392,233	207,652	599,885
Net OPEB obligation June 30, 2016	\$ 458,607	\$ 230,579	\$ 689,186

The City's annual OPEB cost and contribution for year ended June 30, 2016 and the prior two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$94,159,128	\$27,801,776	29.53%	\$458,590,455
2015	\$67,769,762	\$26,306,412	38.82%	\$392,216,686
2014	\$65,279,520	\$21,838,707	33.45%	\$350,753,336

The District's annual OPEB cost and contribution for year ended June 30, 2016 and the prior two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$44,974,558	\$22,047,111	49.00%	\$230,579,323
2015	\$36,635,030	\$20,755,916	56.66%	\$207,651,876
2014	\$34,752,380	\$18,656,726	53.68%	\$191,772,762

Funded status and funding progress. As of the most recent valuation date of July 1, 2015, both the City's and District's OPEB plans were unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$852 million for the City and \$529.1 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 2015-16 who are eligible for postretirement benefits are \$219,920,478 for the City and \$293,894,921 for the District. The ratios of the unfunded actuarial accrued liability at June 30, 2016 to annual covered payroll for 2015-16 are 387% for the City and 180% 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 \$7,923,000 and the District has opted to commit \$20,890,000 of their respective General fund balance for future OPEB costs as of June 30, 2016. Because these funds are not part of the restricted fund balance, they are not an indication of planned funding.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

In the July 1, 2015 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 by 5% in calendar year 2019 and later. Healthcare inflation is applied in 2016, since cost projections (rates) are known in 2015, costs are treated as fixed for calendar year 2015.

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 \$793,000 for the City in fiscal year 2016, 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 Administrators of Rochester for an attendance incentive. During fiscal year 2015-16, MRA claims totaling \$23,809 were paid by the District and at June 30, 2016 there were twenty-eight active participants.

D. PENSION OBLIGATIONS

New York State and Local Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS), (the Systems).

Plan description. 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 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 employers from employees' paychecks and are sent currently to the Retirement System.

Funding policy. 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.

Summary of significant accounting policies. The annual report containing financial statements and required supplemental information for the Employees' and the Police and Fire Retirement Systems are prepared on the accrual basis of accounting and 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.

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

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

At June 30, 2016, the City reported the following asset/(liability) for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2016 for ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

	ERS	PFRS
Measurement Date	March 31, 2016	March 31, 2016
Net Pension Asset/(Liability)	\$ (53,085,040)	\$ (96,745,364)
City's portion of the plan's total net pension liability	0.3307422%	3.2675555%

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2016 for ERS and June 30, 2015 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation.

	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Net Pension Asset/(Liability)	\$ (37,551,307)	\$ 172,797,638
District's portion of the Plan's total net pension Asset/(liability)	0.233961%	1.663625%

At year end June 30, 2016, the City recognized ERS pension expenses of \$19,123,120. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 268,252	\$ 6,292,346
Changes of Assumptions	14,156,179	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	31,492,959	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	591,268	67,765
Total	\$ 46,508,658	\$ 6,360,111

The City's contributions subsequent to the measurement date for ERS amounted to \$3,279,000.

At year end June 30, 2016, the City recognized PFRS Pension Liability of \$34,922,769. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 867,720	\$ 14,626,737
Changes of Assumptions	41,706,608	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	54,217,955	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	—	2,812,631
Total	\$ 96,792,283	\$ 17,439,368

The City's contributions subsequent to the measurement date for PFRS amounted to \$6,947,000.

At year end June 30, 2016, the District's ERS recognized pension expenses of \$12,634,847, net of deferrals. The District reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 189,756	\$ 4,451,081
Changes of Assumptions	10,013,801	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	22,277,495	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	1,976,285	86,608
Total	\$ 34,457,337	\$ 4,537,689

The District's contributions subsequent to the measurement date amounted to \$2,953,715.

At year end June 30, 2016, the District's TRS recognized pension expenses of (\$9,052,128), net of deferrals. The District reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ —	\$ 4,788,960
Changes of Assumptions	—	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	—	54,622,233
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	2,045,233	624,254
Total	\$ 2,045,233	\$ 60,035,447

The District's contributions subsequent to the measurement date amounted to \$33,798,963.

The City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The City's net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Fiscal Year Ended June 30,	ERS	PFRS
2017	\$ 10,208,573	\$ 18,710,837
2018	10,208,573	18,710,837
2019	10,208,573	18,710,837
2020	9,522,824	17,955,919
2021	—	5,264,485
Thereafter	—	—

The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	ERS	TRS
2017	\$ 7,661,873	\$ (21,873,143)
2018	7,661,873	(21,873,143)
2019	7,661,873	(21,873,143)
2020	6,934,029	9,242,063
2021	—	(438,783)
Thereafter	—	(1,174,065)

Actuarial Assumptions

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

	ERS	PFRS
Measurement Date	March 31, 2016	March 31, 2016
Actuarial Valuation Date	April 1, 2015	April 1, 2015
Interest Rate	7.0%	7.0%
Salary Scale	3.8%	4.5%
Decrement Tables	04/01/10-03/31/15 System's Experience	04/01/10-03/31/15 System's Experience
Inflation Rate	2.5%	2.5%
Cost of Living Adjustments	1.3%	1.3%

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

For ERS and PFRS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Actuarial Valuation Date	April 1, 2015	June 30, 2014
Interest Rate	7.0%	8.0%
Salary Scale	3.8%	4.01%-10.91%
Decrement Tables	04/01/10-03/31/15 System's Experience	07/01/05-06/30/10 System's Experience
Inflation Rate	2.5%	3.0%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The City and District's long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	Target Allocation	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
<u>CITY AND DISTRICT</u>	<u>TRS</u>	<u>ERS AND PFRS</u>	<u>TRS</u>	<u>ERS AND PFRS</u>
Measurement Date			June 30, 2015	March 31, 2016
Asset Class:				
Domestic equities	37.0%	38.0%	6.5%	7.3%
International equities	18.0	13.0	7.7	8.6
Private equity	—	10.0	—	11.0
Real estate	10.0	8.0	4.6	8.3
Alternative investments	7.0	—	9.9	—
Absolute return strategies	20.0	3.0	1.9	6.8
Opportunistic portfolio	—	3.0	—	8.6
Real assets	—	3.0	0	8.7
Bond and mortgages	8.0	18.0	3.4	4.0
Cash	—	2.0	—	2.3
Inflation-indexed bonds	—	2.0	—	4.0
Total	<u>100.0%</u>	<u>100.0%</u>		

Discount Rate

The Discount rate used to calculate the total pension liability was 7% for ERS and PFRS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that the contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the City and District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and PFRS and 8% for TRS, as well as what the City and District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6% for ERS and PFRS and 7% for TRS) or one percent point higher (8% for ERS and PFRS and 9% for TRS) than the current rate:

<u>CITY - ERS</u>		1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)		\$ (119,702,911)	\$ (53,085,040)	\$ 3,204,213
<u>CITY - PFRS</u>		1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)		\$ (216,090,948)	\$ (96,745,364)	\$ 3,292,100
<u>DISTRICT-ERS</u>		1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)		\$ (84,675,470)	\$ (37,551,307)	\$ 2,266,597
<u>DISTRICT-TRS</u>		1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
Employer's proportionate share of the Net Pension asset/(liability)		\$ (11,787,027)	\$ 172,797,638	\$ 330,209,597

Pension Plan Fiduciary Net Position

The City and District's components of the net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	ERS	PFRS	TRS
	(Dollars in Thousands)		
Measurement Date	03/31/16	03/31/16	06/30/15
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (30,347,727)	\$ 99,332,104
Fiduciary net position	156,253,265	27,386,940	109,718,917
Employers' net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ (2,960,787)</u>	<u>\$ 10,386,813</u>
Ratio of Plan net position to the employers' total pension asset/(liability)	90.7%	90.2%	110.50%

Payables to the Pension Plan

For the City's ERS and PFRS and the District's ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid City and District's ERS wages and PFRS wages multiplied by the employer's contribution rate. The City's accrued retirement contributions as of June 30, 2016 for ERS amounted to \$3,279,456 and PFRS amounted to \$6,946,690. The District's accrued retirement contributions as of June 30, 2016 amounted to \$2,953,715.

For the District's TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a State Aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2016 based on TRS wages multiplied by the by the employer's contribution rate of 14.13% as provided by the TRS as part of the pension smoothing program. Accrued retirement contributions as of June 30, 2016 amounted to \$38,246,584.

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, 2016 (000's Omitted):

Due to:	Due From:								
	General	General Capital	Transportation Capital	Special Revenue Community Development	Nonmajor Governmental Special Revenue	Nonmajor Governmental Capital Projects	Internal Service	Proprietary	Total
General	\$ —	\$ 47,143	\$ 2,218	\$ 1	\$ 1,397	\$ 46	\$ 7,303	\$ 5,822	\$ 63,930
Debt Service	141	—	—	—	—	—	—	—	141
General Capital	28,909	250	444	—	—	15	—	—	29,618
Transportation Capital	—	6,782	—	—	—	—	—	—	6,782
Community Development	327	17	—	—	—	—	—	—	344
Nonmajor Governmental Capital Projects	355	—	—	—	—	—	—	—	355
Nonmajor Special Revenue	6,862	350	9,275	—	—	1,423	—	25	17,935
Internal Service	1,169	—	—	—	—	—	—	—	1,169
Proprietary	1,932	—	—	—	125	—	—	—	2,057
Total	<u>\$ 39,695</u>	<u>\$ 54,542</u>	<u>\$ 11,937</u>	<u>\$ 1</u>	<u>\$ 1,522</u>	<u>\$ 1,484</u>	<u>\$ 7,303</u>	<u>\$ 5,847</u>	<u>\$ 122,331</u>

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to capital project funds. They also facilitate the contribution of enterprise earnings to the general fund. Interfund transfers for the fiscal year ending June 30, 2016, which were routine in nature, were as follows (000's Omitted):

Transfer Out:	Transfer In:							
	General	Debt Service	General Capital	Transportation Capital	Nonmajor Governmental Capital Projects	Nonmajor Governmental Special Revenue	Internal Service	Total
General	\$ —	\$ —	\$ 15,776	\$ 2,736	\$ 222	\$ —	\$ 6,598	\$ 25,332
Debt Service	3,589	—	—	—	—	60	—	3,649
General Capital	394	710	—	—	—	—	—	1,104
Transportation Capital	4,067	803	—	—	—	—	—	4,870
Community Development	479	—	—	—	—	—	—	479
Nonmajor Governmental Capital Projects	—	484	—	—	—	—	—	484
Nonmajor Special Revenue	1,613	—	350	3,331	1,440	—	—	6,734
Water	5,374	—	—	—	—	—	—	5,374
Total	<u>\$ 15,516</u>	<u>\$ 1,997</u>	<u>\$ 16,126</u>	<u>\$ 6,067</u>	<u>\$ 1,662</u>	<u>\$ 60</u>	<u>\$ 6,598</u>	<u>\$ 48,026</u>

F. SUBSEQUENT EVENT

On August 4, 2016, the City of Rochester issued General Obligation Refunding Bonds - 2016, Series I in the amount of \$20,200,000. The Bonds refunded were Serial Bonds 2006 Series A and Series B issued March 2, 2006. The City received an interest rate of 0.98% resulting in savings of \$2,285,821.81.

On August 4, 2016 the City also issued Bond Anticipation Notes, 2016 Series II in the amount of \$56,924,000 a portion of the proceeds (\$31,200,000) were used to redeem bond anticipation notes maturing on August 5, 2016 and the remaining portion (\$25,724,000) provided original financing. The City received an interest rate of 0.69% on the BANs.

On August 9, 2016, the City issued Bond Anticipation Notes, 2016 Series III in the amount of \$32,000,000 on behalf of the Rochester Joint Schools Construction Board with a March 1, 2017 maturity date. The proceeds are to provide original financing for the second phase of the Rochester Joint Schools Construction Board (the "RJSCB") modernization program. The City received an interest rate of 0.60%.

THE CITY OF ROCHESTER, NEW YORK

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION

BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND PROPRIETARY FUNDS

NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2016 (000's Omitted)

	General Fund		Special Revenue Funds		Proprietary Funds		Total			
	<u>Final</u>	<u>Actual</u>	<u>Final</u>	<u>Actual</u>	<u>Final</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES										
Real property tax	\$ 146,130	\$ 148,076	\$ 7,851	\$ 7,851	\$ 2,641	\$ 2,641	\$ 156,622	\$ 156,622	\$ 158,568	\$ 1,946
Sales taxes	142,871	144,551	—	—	—	—	142,871	142,871	144,551	1,680
Other taxes	19,331	18,686	—	—	905	905	20,236	20,236	19,591	(645)
Charges for services	13,494	17,507	21,866	22,514	78,000	79,281	113,361	113,360	120,465	5,679
Use of money and property	140	98	20	5	100	54	1,246	260	157	(103)
Interest and penalties	1,710	2,527	—	—	1,050	1,181	1,773	2,760	3,708	948
Licenses and permits	2,554	3,724	—	—	—	—	2,554	2,554	3,724	1,170
Federal aid	2,705	2,803	124	112	8	5	1,581	2,837	2,920	83
State aid	108,151	108,841	977	914	1	1	108,199	109,129	109,756	627
Local sources and other	21,366	20,824	7,375	7,375	318	365	28,533	29,059	28,624	(495)
Total revenues	<u>458,452</u>	<u>467,637</u>	<u>38,213</u>	<u>38,771</u>	<u>83,023</u>	<u>84,433</u>	<u>576,976</u>	<u>579,688</u>	<u>592,064</u>	<u>10,890</u>
EXPENDITURES										
Council and clerk	1,882	1,856	—	—	—	—	1,881	1,882	1,856	26
Administration	10,723	10,129	—	—	—	—	10,698	10,723	10,129	594
Information technology	7,799	7,622	—	—	—	—	7,799	7,799	7,622	177
Finance	5,554	5,158	—	—	7,020	6,871	12,574	12,574	12,029	545
Neighborhood development	12,545	11,780	—	—	1,004	1,020	13,849	13,549	12,800	749
Environmental services	25,915	24,480	12,987	10,531	44,802	42,886	83,704	83,704	77,897	5,807
Library	—	—	11,443	11,256	—	—	11,317	11,443	11,256	187
Police	89,640	88,216	1,372	1,295	—	—	90,921	91,012	89,511	1,501
Fire	48,119	47,432	—	—	—	—	48,706	48,119	47,432	687
Emergency communications	13,710	13,052	—	—	—	—	13,710	13,710	13,052	658
Recreation and youth services	11,030	10,514	—	—	767	781	11,325	11,797	11,295	502
Undistributed	112,195	116,759	8,253	8,500	12,100	12,917	135,554	132,548	138,175	(5,627)
Contingency	—	—	—	—	—	—	1,706	—	—	—
Debt services	22,208	22,208	974	973	14,411	16,387	36,632	37,593	39,568	(1,975)
Total expenditures	<u>361,320</u>	<u>359,206</u>	<u>35,029</u>	<u>32,555</u>	<u>80,104</u>	<u>80,862</u>	<u>480,376</u>	<u>476,453</u>	<u>472,622</u>	<u>3,831</u>
Excess of revenues over expenditures	<u>98,558</u>	<u>108,431</u>	<u>3,244</u>	<u>6,216</u>	<u>2,919</u>	<u>3,571</u>	<u>97,851</u>	<u>104,721</u>	<u>119,442</u>	<u>14,721</u>

THE CITY OF ROCHESTER, NEW YORK

COMBINING SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCE/NET POSITION

BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND PROPRIETARY FUNDS

NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2016 (000's Omitted)

(continued)

	General Fund		Special Revenue Funds		Proprietary Funds		Total			
	Final	Actual	Final	Actual	Final	Actual	Original	Final	Actual	Variance
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	\$ 22,804	\$ 22,960	\$ 60	\$ 60	\$ 1,678	\$ 1,678	\$ 23,126	\$ 24,542	\$ 23,475	\$ 419
Transfers (to) other funds	(14,907)	(14,907)	(5,087)	(5,087)	(9,283)	(9,283)	(21,226)	(29,277)	(29,277)	—
Transfers (to) component unit	(119,100)	(119,100)	—	—	—	—	(119,100)	(119,100)	(119,100)	—
Total other financing uses	(111,203)	(111,047)	(5,027)	(5,027)	(7,605)	(7,605)	(117,200)	(123,835)	(124,902)	419
Appropriation of prior year fund balance	14,071	—	1,843	—	4,686	—	20,600	20,600	—	(20,600)
Excess (deficiency) of revenues and other sources over expenditures and other uses- Budget Basis	—	(2,616)	—	1,189	—	(4,034)	—	—	(5,460)	(5,460)
Encumbrances included in actual		4,964		962		1,852			7,778	
Excess (deficiency) of revenues and other sources over expenditures, encumbrances and other uses		2,348		2,151		(2,182)			2,318	
Expenditures of prior years' encumbrances		1,039		43		156			1,238	
Excess (deficiency) of revenues and other sources over expenditures and other uses		1,309		2,108		(2,338)			1,080	
Net proprietary capital expense		—		—		(3,558)			(3,558)	
Depreciation expense		—		—		(14,040)			(14,040)	
Debt service cash basis		—		—		10,743			10,743	
Contribution to reserve for capital projects		—		—		9,283			9,283	
Other post employment benefits		—		—		(5,627)			(5,627)	
Capital and debt reimbursement		—		—		858			858	
Capital contribution		—		—		1,189			1,189	
Aggregate net pension expense		—		—		(368)			(368)	
Fund Balance/Net Position - beginning		85,938		8,419		225,342			319,699	
Fund Balance/Net Position - ending		\$ 87,247		\$ 10,527		\$ 221,484			\$ 319,259	

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 Combining Schedule of Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Position - Budget and Actual - General, Certain Special Revenue and Proprietary 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

Required Supplemental Information

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
2009	April 1, 2008	\$ —	\$ 593,923,730	\$ 593,923,730	—%	\$194,609,000	305.2%
2010	April 1, 2010	—	619,514,745	619,514,745	—%	196,727,000	314.9%
2011	April 1, 2010	—	564,240,853	564,240,853	—%	203,514,400	277.2%
2012	July 1, 2011	—	613,194,278	613,194,278	—%	198,535,714	308.9%
2013	July 1, 2011	—	630,753,791	630,753,791	—%	201,386,096	313.2%
2014	July 1, 2013	—	654,081,484	654,081,484	—%	204,255,410	320.2%
2015	July 1, 2013	—	667,095,640	667,095,640	—%	214,467,432	311.0%
2016	July 1, 2015	—	852,162,028	852,162,028	—%	219,920,478	387.5%

SCHEDULE OF EMPLOYER CONTRIBUTION

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2015	51,530,589	26,306,412	51.05%
2016	66,682,868	27,801,776	41.69%

The City of Rochester, New York
Required Supplemental Information

**SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
 NYSERS AND NYSPFRS PENSION PLAN
 LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED JUNE 30, 2016 (000's Omitted)**

EMPLOYERS' RETIREMENT SYSTEM										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 8,045	\$ 7,736	\$ 6,642	\$ 6,118	\$ 9,506	\$ 12,463	\$ 14,581	\$ 10,634	\$ 17,665	\$ 15,473
Contributions in relation to the contractually required contribution	\$ 8,045	\$ 7,736	\$ 6,642	\$ 6,118	\$ 9,506	\$ 12,463	\$ 14,581	\$ 10,634	\$ 17,665	\$ 15,473
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered-employee payroll	83,275	83,170	83,992	82,525	83,243	83,192	83,963	86,121	88,861	90,559
Contributions as a percentage of covered-employee payroll	10%	9%	8%	7%	11%	15%	17%	12%	20%	17%
POLICE AND FIRE RETIREMENT SYSTEM										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 14,025	\$ 14,824	\$ 17,117	\$ 13,400	\$ 16,402	\$ 18,798	\$ 32,003	\$ 21,218	\$ 27,261	\$ 25,610
Contributions in relation to the contractually required contribution	\$ 14,025	\$ 14,824	\$ 17,117	\$ 13,400	\$ 16,402	\$ 18,798	\$ 32,003	\$ 21,218	\$ 27,261	\$ 25,610
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered-employee payroll	88,218	100,309	95,659	95,360	96,847	99,550	104,186	103,393	111,485	111,504
Contributions as a percentage of covered-employee payroll	16%	15%	18%	14%	17%	19%	31%	21%	24%	23%

The City of Rochester, New York
Required Supplemental Information

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 NYSERS AND NYSPFRS PENSION PLAN
 LAST TWO FISCAL YEARS**

EMPLOYERS' RETIREMENT SYSTEM

	2015	2016
City's proportion of the net pension asset (liability)	0.3300000%	0.3307422%
City's proportionate share of the net pension asset (liability)	\$ (11,279,921)	\$ (53,085,040)
City's covered-employee payroll	\$ 88,860,688	\$ 90,558,782
City's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	12.69%	58.62%
Plan fiduciary net position as a percentage of the total pension	97.9%	90.7%

POLICE AND FIRE RETIREMENT SYSTEM

	2015	2016
City's proportion of the net pension asset (liability)	3.2900000%	3.2675555%
City's proportionate share of the net pension asset (liability)	\$ (9,055,486)	\$ (96,745,364)
City's covered-employee payroll	\$ 111,485,280	\$ 111,504,686
City's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	8.12%	86.76%
Plan fiduciary net position as a percentage of the total pension	99.0%	90.2%

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, 2016 (000's Omitted)

	Capital Projects				Special Revenue						Total Nonmajor Governmental Funds
	Economic Assistance	Cultural and Recreation	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other		
ASSETS											
Cash and cash equivalents	\$ —	\$ —	\$ 832	\$ 493	\$ 19,769	\$ 3,491	\$ 2,498	\$ 5,326	\$ 5,930	\$	38,339
Receivables (net of allowance for uncollectibles)											
Accounts	—	—	—	884	—	—	—	—	—		884
Taxes	—	—	—	—	288	—	—	—	—		288
Due from other funds	—	1,484	64	228	1,209	—	1	12	8		3,006
Due from other governments	662	—	—	2,257	22	363	232	—	—		3,536
Cash and cash equivalents - restricted	2,058	671	—	—	—	—	—	—	—		2,729
Total assets	<u>\$ 2,720</u>	<u>\$ 2,155</u>	<u>\$ 896</u>	<u>\$ 3,862</u>	<u>\$ 21,288</u>	<u>\$ 3,854</u>	<u>\$ 2,731</u>	<u>\$ 5,338</u>	<u>\$ 5,938</u>	<u>\$</u>	<u>48,782</u>
LIABILITIES											
Accounts payable and other accrued liabilities	\$ —	\$ 309	\$ 77	\$ 510	\$ 203	\$ 430	\$ 135	\$ —	\$ 40	\$	1,704
Bond anticipation notes payable	—	778	—	—	—	—	—	—	—		778
Due to other funds	—	355	473	2,462	11,059	236	390	—	3,315		18,290
Due to other governments	—	—	39	382	273	—	—	—	—		694
Due to component units	—	—	—	1	—	—	—	—	—		1
Unearned revenue	—	—	40	—	—	—	—	—	—		40
Total liabilities	<u>—</u>	<u>1,442</u>	<u>629</u>	<u>3,355</u>	<u>11,535</u>	<u>666</u>	<u>525</u>	<u>—</u>	<u>3,355</u>		<u>21,507</u>
FUND BALANCES											
Restricted	—	—	—	—	—	3,188	2,206	—	—		5,394
Committed	2,720	713	—	—	—	—	—	5,338	—		8,771
Assigned	—	—	267	507	9,753	—	—	—	2,583		13,110
Total fund balances	<u>2,720</u>	<u>713</u>	<u>267</u>	<u>507</u>	<u>9,753</u>	<u>3,188</u>	<u>2,206</u>	<u>5,338</u>	<u>2,583</u>		<u>27,275</u>
Total liabilities and fund balances	<u>\$ 2,720</u>	<u>\$ 2,155</u>	<u>\$ 896</u>	<u>\$ 3,862</u>	<u>\$ 21,288</u>	<u>\$ 3,854</u>	<u>\$ 2,731</u>	<u>\$ 5,338</u>	<u>\$ 5,938</u>	<u>\$</u>	<u>48,782</u>

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, 2016 (000's Omitted)

	Capital Projects		Special Revenue							Total Nonmajor Governmental Funds
	Economic Assistance	Cultural and Recreation	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	
REVENUES										
Real property tax	\$ —	\$ —	\$ 1,568	\$ 6,283	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,851
Departmental	—	—	269	2,658	19,492	—	—	—	—	22,419
Use of money and property	—	—	—	—	5	—	—	—	—	5
Federal aid	—	—	—	112	—	1,536	504	—	—	2,152
State aid	—	—	—	820	94	151	1,015	—	—	2,080
Local sources and other	—	—	54	7,415	—	1,107	3	62	1,127	9,768
Total revenues	—	—	1,891	17,288	19,591	2,794	1,522	62	1,127	44,275
EXPENDITURES										
Current:										
General government	—	—	484	3,939	4,076	—	—	—	46	8,545
Neighborhood business development	—	—	—	—	—	847	355	—	5	1,207
Environmental services	—	—	—	—	9,747	—	176	—	—	9,923
Transportation	—	—	—	—	—	—	—	—	116	116
Police department	—	—	1,287	—	—	—	473	—	—	1,760
Fire department	—	—	—	—	—	—	346	—	—	346
Library	—	474	—	11,129	—	—	—	—	—	11,603
Recreation and youth services	—	60	—	—	—	1,058	—	—	6	1,124
Debt service:										
Principal retirement	—	—	—	505	255	—	—	—	—	760
Interest	—	—	—	59	120	—	—	—	—	179
Capital outlay:										
Neighborhood business development	76	—	—	—	—	—	—	—	—	76
Library	—	758	—	—	—	—	—	—	—	758
Recreation and youth services	—	807	—	—	—	—	—	—	—	807
Total expenditures	76	2,099	1,771	15,632	14,198	1,905	1,350	—	173	37,204
Excess (deficiency) of revenues over (under) expenditures	(76)	(2,099)	120	1,656	5,393	889	172	62	954	7,071
OTHER FINANCING SOURCES (USES)										
Proceeds of general obligation debt	—	1,210	—	—	—	—	—	—	—	1,210
Transfers in	—	1,662	—	2	58	—	—	—	—	1,722
Transfers out	(363)	(120)	(350)	(1,440)	(3,331)	(479)	(177)	—	(958)	(7,218)
Total other financing source (uses)	(363)	2,752	(350)	(1,438)	(3,273)	(479)	(177)	—	(958)	(4,286)
Net change in fund balances	(439)	653	(230)	218	2,120	410	(5)	62	(4)	2,785
Fund balances - beginning	3,159	60	497	289	7,633	2,778	2,211	5,276	2,587	24,490
Fund balances - ending	\$ 2,720	\$ 713	\$ 267	\$ 507	\$ 9,753	\$ 3,188	\$ 2,206	\$ 5,338	\$ 2,583	\$ 27,275

THE CITY OF ROCHESTER, NEW YORK
SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016 (000's Omitted)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 15,591	\$ 13,403	\$ 13,615	\$ 15,379
Receivables (net of allowance for uncollectibles)	233	590	564	259
Total assets	<u>15,824</u>	<u>13,993</u>	<u>14,179</u>	<u>15,638</u>
 LIABILITIES				
Accounts payable and other accrued liabilities	15,824	11,306	11,492	15,638
Total liabilities	<u>\$ 15,824</u>	<u>\$ 11,306</u>	<u>\$ 11,492</u>	<u>\$ 15,638</u>

STATISTICAL SECTION

This part of the City of Rochester's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's Financial performance and well-being have changed over time.</i>	91
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant Local revenue source, the property tax.</i>	98
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	102
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	107
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	109

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 462,204	\$ 441,242	\$ 488,181	\$ 530,636	\$ 591,596	\$ 552,846	\$ 547,613	\$ 597,794	\$ 602,559	\$ 626,977
Restricted	95,283	127,030	121,987	122,365	95,632	83,543	168,975	120,328	83,436	66,658
Unrestricted	5,534	(9,910)	(44,890)	(72,804)	(108,146)	(102,121)	(157,296)	(229,839)	(240,753)	(315,517)
Total governmental activities net position	<u>\$ 563,021</u>	<u>\$ 558,362</u>	<u>\$ 565,278</u>	<u>\$ 580,197</u>	<u>\$ 579,082</u>	<u>\$ 534,268</u>	<u>\$ 559,292</u>	<u>\$ 488,283</u>	<u>\$ 445,242</u>	<u>\$ 378,118</u>
Business-type activities										
Net investment in capital assets	\$ 153,257	\$ 158,705	\$ 170,659	\$ 172,913	\$ 191,986	\$ 183,329	\$ 187,190	\$ 211,529	\$ 207,285	\$ 205,542
Restricted	27,778	33,854	27,430	43,136	32,536	21,454	18,456	16,722	16,417	17,126
Unrestricted	2,379	2,105	5,895	(1,803)	(6,556)	10,365	11,781	5,770	1,640	(1,184)
Total business-type activities net position	<u>\$ 183,414</u>	<u>\$ 194,664</u>	<u>\$ 203,984</u>	<u>\$ 214,246</u>	<u>\$ 217,966</u>	<u>\$ 215,148</u>	<u>\$ 217,427</u>	<u>\$ 234,021</u>	<u>\$ 225,342</u>	<u>\$ 221,484</u>
Primary government										
Net investment in capital assets	\$ 615,461	\$ 599,947	\$ 658,840	\$ 703,549	\$ 783,582	\$ 736,175	\$ 734,803	\$ 809,323	\$ 809,844	\$ 832,519
Restricted	123,061	160,884	149,417	165,501	128,168	104,997	187,431	137,050	99,853	83,784
Unrestricted	7,913	(7,805)	(38,995)	(74,607)	(114,702)	(91,756)	(145,515)	(224,069)	(239,113)	(316,701)
Total primary government net position	<u>\$ 746,435</u>	<u>\$ 753,026</u>	<u>\$ 769,262</u>	<u>\$ 794,443</u>	<u>\$ 797,048</u>	<u>\$ 749,416</u>	<u>\$ 776,719</u>	<u>\$ 722,304</u>	<u>\$ 670,584</u>	<u>\$ 599,602</u>

Note: Prior years' information not available on accrual basis

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 61,690	\$ 75,552	\$ 67,301	\$ 82,702	\$ 95,832	\$ 102,200	\$ 119,387	\$ 154,138	\$ 136,679	\$ 166,709
Police	113,896	124,310	123,793	126,085	133,107	128,413	143,722	143,880	147,566	157,406
Fire	69,551	68,041	69,232	69,949	71,028	69,022	82,560	78,226	79,577	85,311
Emergency communications	14,798	15,222	16,416	16,966	17,765	19,281	23,218	22,853	23,141	24,987
Transportation	31,244	25,468	23,380	21,312	14,946	8,098	4,094	8,982	22,674	24,369
Environmental services	26,268	31,904	33,166	34,574	43,954	36,819	43,419	45,366	45,209	42,010
Recreation & youth services	24,886	15,406	20,311	10,355	17,743	18,225	18,818	18,069	18,954	20,361
Library	12,419	12,324	12,387	12,723	12,161	13,143	13,958	13,878	14,003	15,739
Neighborhood business development	34,423	33,595	34,379	38,726	41,930	34,908	41,888	43,480	38,195	25,883
Interest on long-term debt	8,060	6,049	3,872	3,644	3,445	3,071	3,664	4,596	4,483	4,535
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	<u>537,594</u>	<u>526,971</u>	<u>523,337</u>	<u>536,136</u>	<u>571,011</u>	<u>552,280</u>	<u>613,828</u>	<u>652,568</u>	<u>649,581</u>	<u>686,410</u>
Business-type activities:										
Water	28,571	28,505	27,632	28,499	31,089	31,960	33,206	31,348	36,081	33,076
War memorial	3,219	3,005	2,992	2,821	2,757	2,590	2,696	2,526	2,443	2,068
Parking	5,443	6,343	5,163	7,634	7,195	11,463	7,580	17,039	15,466	15,595
Cemetery	2,075	1,953	1,789	2,398	1,770	2,118	3,016	2,679	3,025	3,565
Public market	825	922	1,276	555	1,054	1,557	789	899	1,065	1,101
Refuse	22,682	22,496	24,602	24,800	26,603	26,637	27,383	26,850	29,703	28,978
Port of Rochester	—	—	—	—	—	—	—	—	—	—
Total business-type activities expenses	<u>62,815</u>	<u>63,224</u>	<u>63,454</u>	<u>66,707</u>	<u>70,468</u>	<u>76,325</u>	<u>74,670</u>	<u>81,341</u>	<u>87,783</u>	<u>84,383</u>
Total primary government expenses	<u>\$ 600,409</u>	<u>\$ 590,195</u>	<u>\$ 586,791</u>	<u>\$ 602,843</u>	<u>\$ 641,479</u>	<u>\$ 628,605</u>	<u>\$ 688,498</u>	<u>\$ 733,909</u>	<u>\$ 737,364</u>	<u>\$ 770,793</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 8,968	\$ 10,222	\$ 10,987	\$ 13,121	\$ 15,681	\$ 10,500	\$ 40,648	\$ 69,563	\$ 71,570	\$ 74,205
Police	6,677	7,560	8,062	8,234	6,989	9,084	10,961	6,470	7,059	8,412
Fire	764	1,195	887	809	843	1,268	1,860	2,185	2,066	1,960
Emergency communications	11,011	12,353	13,113	13,345	15,896	14,473	17,220	16,474	17,337	17,528
Transportation	915	820	386	942	975	970	940	1,048	946	1,106
Environmental services	19,719	20,969	21,713	20,663	22,959	18,511	19,058	19,552	20,351	20,291
Recreation & youth services	2,201	2,228	3,322	2,280	1,864	1,589	1,243	1,196	1,717	1,044
Library	2,778	2,456	2,933	3,112	3,202	2,603	2,729	2,455	2,730	2,658
Neighborhood business development	4,013	5,637	3,491	4,720	4,090	4,529	3,740	3,681	7,080	6,497
Operating grants and contributions	40,208	37,290	33,162	37,669	37,318	31,754	70,831	38,495	43,486	33,289
Capital grants and contributions	11,452	11,366	15,984	20,851	45,201	23,008	30,137	19,769	16,065	18,166
Total governmental activities program revenues	<u>108,706</u>	<u>112,096</u>	<u>114,040</u>	<u>125,746</u>	<u>155,018</u>	<u>118,289</u>	<u>199,367</u>	<u>180,888</u>	<u>190,407</u>	<u>185,156</u>

Continued

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

	2007	2008	2009	2010	2011	2012	2013	Continued		
								2014	2015	2016
Business-type activities:										
Charges for services:										
Water	\$ 33,531	\$ 34,241	\$ 33,018	\$ 32,995	\$ 34,538	\$ 35,988	\$ 37,705	\$ 36,579	\$ 36,925	\$ 37,298
Parking	3,892	2,879	3,139	4,437	9,040	9,805	10,899	11,823	12,704	11,553
War Memorial	1,442	1,460	1,781	1,452	1,406	1,571	1,586	1,342	913	994
Refuse	24,804	25,110	24,817	24,452	26,001	25,724	25,534	25,675	26,196	27,317
Cemetery	1,195	1,147	1,117	1,062	1,232	1,370	1,767	1,557	1,532	1,467
Public Market	608	642	675	749	716	730	774	824	789	819
Operating grants and contributions	—	—	—	—	—	—	—	115	—	—
Capital grants and contributions	—	511	4,994	905	1,754	—	—	20,578	1,374	1,433
Total business-type activities program	65,472	65,990	69,541	66,052	74,687	75,188	78,265	98,493	80,433	80,881
Total primary government program revenues	<u>\$ 174,178</u>	<u>\$ 178,086</u>	<u>\$ 183,581</u>	<u>\$ 191,798</u>	<u>\$ 229,705</u>	<u>\$ 193,477</u>	<u>\$ 277,632</u>	<u>\$ 279,381</u>	<u>\$ 270,840</u>	<u>\$ 266,037</u>
Net (expense)/revenue										
Governmental activities	\$ (428,888)	\$ (414,875)	\$ (409,297)	\$ (410,390)	\$ (415,993)	\$ (433,991)	\$ (414,461)	\$ (471,680)	\$ (459,174)	\$ (501,252)
Business-type activities	2,657	2,766	6,087	(655)	4,219	(1,137)	3,595	17,152	(7,350)	(3,502)
Total primary government net expense	<u>\$ (426,231)</u>	<u>\$ (412,109)</u>	<u>\$ (403,210)</u>	<u>\$ (411,045)</u>	<u>\$ (411,774)</u>	<u>\$ (435,128)</u>	<u>\$ (410,866)</u>	<u>\$ (454,528)</u>	<u>\$ (466,524)</u>	<u>\$ (504,754)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 139,276	\$ 136,921	\$ 141,531	\$ 141,319	\$ 146,544	\$ 146,698	\$ 147,218	\$ 148,913	\$ 152,593	\$ 152,921
Sales taxes	120,518	130,865	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945
Payment in-lieu of tax	—	—	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238
Other taxes	28,860	28,725	25,711	13,251	13,897	12,654	12,691	8,527	8,410	7,619
Governmental aid - (unrestricted)	91,402	105,188	131,431	108,437	106,069	104,323	120,271	104,821	108,673	103,420
Investment earnings	8,124	7,143	3,228	2,938	781	1,499	4	1,401	1,476	1,576
Miscellaneous	1,566	2,290	2,330	1,492	1,519	2,062	12,846	4,845	5,923	7,035
Proceeds of general obligation debt	—	—	—	—	—	—	—	—	—	—
Transfers	4,679	(916)	4,593	11,441	5,533	3,697	5,374	5,374	5,374	5,374
Total governmental activities	<u>394,425</u>	<u>410,216</u>	<u>430,901</u>	<u>413,173</u>	<u>414,878</u>	<u>417,629</u>	<u>439,485</u>	<u>425,957</u>	<u>433,159</u>	<u>434,128</u>
Business-type activities:										
Taxes										
Property taxes	2,658	3,876	3,379	5,557	2,142	2,330	1,998	2,224	2,635	2,641
Other taxes	905	905	1,131	905	1,131	679	905	905	906	905
Governmental aid	18	125	1,133	157	11	160	7	433	5	5
Investment earnings	737	1,180	711	793	308	401	57	174	389	238
Miscellaneous	1,445	1,482	1,472	1,480	1,442	1,616	1,091	1,080	975	1,229
Gain on Sale of land	—	—	—	13,466	—	—	—	—	—	—
Transfers	(4,679)	916	(4,593)	(11,441)	(5,533)	(3,574)	(5,374)	(5,374)	(5,374)	(5,374)
Total business-type activities	<u>1,084</u>	<u>8,484</u>	<u>3,233</u>	<u>10,917</u>	<u>(499)</u>	<u>1,612</u>	<u>(1,316)</u>	<u>(558)</u>	<u>(464)</u>	<u>(356)</u>
Total primary government	<u>\$ 395,509</u>	<u>\$ 418,700</u>	<u>\$ 434,134</u>	<u>\$ 424,090</u>	<u>\$ 414,379</u>	<u>\$ 419,241</u>	<u>\$ 438,169</u>	<u>\$ 425,399</u>	<u>\$ 432,695</u>	<u>\$ 433,772</u>
Change in Net Position										
Governmental activities	\$ (34,463)	\$ (4,659)	\$ 21,604	\$ 2,783	\$ (1,115)	\$ (16,362)	\$ 25,024	\$ (45,723)	\$ (26,015)	\$ (67,124)
Business-type activities	3,741	11,250	9,320	10,262	3,720	475	2,279	16,594	(7,814)	(3,858)
Total primary government	<u>\$ (30,722)</u>	<u>\$ 6,591</u>	<u>\$ 30,924</u>	<u>\$ 13,045</u>	<u>\$ 2,605</u>	<u>\$ (15,887)</u>	<u>\$ 27,303</u>	<u>\$ (29,129)</u>	<u>\$ (33,829)</u>	<u>\$ (70,982)</u>

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property tax	\$141,934	\$140,797	\$144,910	\$146,876	\$148,686	\$149,028	\$149,216	\$151,137	\$155,228	\$155,562
Sales tax	120,518	130,865	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945
Payment in-lieu of tax	—	—	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238
Other taxes	<u>29,765</u>	<u>29,630</u>	<u>26,842</u>	<u>14,156</u>	<u>15,028</u>	<u>13,333</u>	<u>13,596</u>	<u>9,432</u>	<u>9,316</u>	<u>8,524</u>
Total taxes	<u>\$292,217</u>	<u>\$301,292</u>	<u>\$293,829</u>	<u>\$295,327</u>	<u>\$304,249</u>	<u>\$309,057</u>	<u>\$303,893</u>	<u>\$312,645</u>	<u>\$315,254</u>	<u>\$320,269</u>

Note: Prior years' information not available on accrual basis

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 13,435	\$ 20,283	\$ 21,033	\$ 20,679	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved	8,244	8,376	8,526	13,291	—	—	—	—	—	—
Nonspendable	—	—	—	—	6,248	6,641	—	—	—	—
Restricted	—	—	—	—	—	—	—	—	—	—
Committed	—	—	—	—	40,457	38,623	35,223	47,835	50,155	41,636
Assigned	—	—	—	—	15,998	15,686	28,540	27,923	30,753	39,939
Unassigned	—	—	—	—	4,920	4,860	4,870	5,152	5,030	5,672
Unallocated	—	—	—	—	—	—	—	—	—	—
Total general fund	21,679	28,659	29,559	33,970	67,623	65,810	68,633	80,910	85,938	87,247
All other governmental funds										
Reserved	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	5,124	3,070	3,987	7,119	—	—	—	—	—	—
Capital projects funds	20,226	14,641	(1,260)	15,631	—	—	—	—	—	—
Permanent funds	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	5,070	8,274
Capital projects funds	—	—	—	—	453	—	1,066	—	—	—
Special revenue/Community development funds	—	—	—	—	4,870	3,655	9,051	4,798	4,667	3,901
Other governmental funds	—	—	—	—	9,589	9,810	4,737	4,389	4,989	5,394
Committed, reported in:										
Capital projects funds	—	—	—	—	60,095	63,185	119,042	81,463	69,865	42,605
Special revenue/Community development funds	—	—	—	—	5	1,057	5,372	5,473	411	872
Other governmental funds	—	—	—	—	1,942	6,445	11,143	8,824	8,495	8,771
Assigned, reported in:										
Debt service funds	—	—	—	—	13,484	13,716	15,281	15,615	15,780	15,979
Capital projects funds	—	—	—	—	1,877	581	859	677	606	563
Other governmental funds	—	—	—	—	8,473	9,304	11,173	10,970	11,006	13,110
Unassigned, reported in:										
Capital projects funds	—	—	—	—	—	(8,959)	—	—	(16,181)	(8,967)
Other governmental funds	—	—	—	—	—	(369)	—	—	—	—
Total all other governmental funds	151,608	147,306	144,944	167,363	113,849	102,462	189,377	140,898	104,708	90,502
Total all governmental funds	\$ 173,287	\$ 175,965	\$ 174,503	\$ 201,333	\$ 181,472	\$ 168,272	\$ 258,010	\$ 221,808	\$ 190,646	\$ 177,749

Note: The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Changes to the fund balance information presented in a statistical section may be made prospectively, although retroactive application is encouraged.

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Real property tax	\$ 138,081	\$ 135,851	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055	\$ 149,507	\$ 148,791	\$ 153,969	\$ 155,756
Sales tax	150,620	159,940	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550
Other taxes	—	—	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857
Departmental	39,498	43,404	43,530	46,105	47,937	39,967	44,367	43,371	49,225	47,801
Interest on investments	—	—	—	—	—	—	3	—	—	—
Use of money and property	9,139	7,896	4,254	3,316	872	1,264	9,121	766	821	3,409
Licenses and permits	2,289	2,676	2,384	2,693	2,785	3,157	3,141	3,384	3,175	3,894
Federal aid	33,671	27,514	26,132	33,934	47,968	33,442	49,122	37,067	35,610	23,265
State aid	97,714	111,542	143,471	123,231	133,325	117,404	133,952	115,867	120,854	119,449
Local sources and other	26,388	32,677	29,587	28,597	30,220	31,127	37,444	32,771	36,186	38,114
Ferry	19,287	—	—	—	—	—	—	—	—	—
Total revenues	516,687	521,500	543,568	527,643	561,460	533,232	580,352	542,296	558,994	555,095
Expenditures										
Council and clerk	1,634	1,698	1,674	1,726	—	—	—	—	—	—
Administration	10,062	11,201	11,047	8,660	—	—	—	—	—	—
Law	1,743	1,865	1,898	1,757	—	—	—	—	—	—
Information technology	—	4,021	3,579	3,786	—	—	—	—	—	—
Finance	7,607	5,131	5,180	4,066	—	—	—	—	—	—
Neighborhood business development	27,015	26,527	21,600	33,971	33,678	29,833	33,489	37,985	39,104	25,280
Economic development	1,560	1,226	1,545	—	—	—	—	—	—	—
Environmental services	32,306	34,191	36,082	35,844	30,272	23,213	25,262	28,498	30,708	29,345
Library	10,316	10,361	10,687	11,029	11,220	10,602	10,708	11,030	11,122	11,621
Police	69,471	78,057	77,775	78,253	84,121	83,279	85,061	87,439	87,908	89,431
Fire	40,909	41,231	42,412	42,297	42,594	42,655	48,212	46,560	46,363	47,298
Emergency communications	8,943	9,419	10,189	10,493	11,194	12,164	14,853	12,906	12,810	12,929
Recreation & youth services	15,961	13,971	12,967	9,264	11,833	11,581	9,489	11,394	11,412	11,303
Undistributed	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	43,907	57,219	58,057	72,363	—	—	—	—	—	—
Debt service:										
Principal retirement	15,877	34,069	37,620	15,125	16,149	14,269	12,450	17,389	17,875	14,765
Interest	7,822	6,629	4,476	3,184	3,850	3,138	3,247	4,715	4,522	4,548
Administrative charges	—	—	—	—	204	27	124	16	11	7
General government	—	—	—	—	118,204	124,998	135,018	124,930	144,892	160,000
Transportation	—	—	—	—	5,814	5,438	5,311	5,211	8,858	22,286
Capital outlay:										
General government	—	—	—	—	71,601	44,599	42,618	45,704	31,745	22,141
Police	—	—	—	—	—	—	133	736	—	—
Fire	—	—	—	—	—	—	9	98	—	—
Transportation	—	—	—	—	14,193	19,474	19,215	20,124	22,945	15,277
Recreation & youth services	—	—	—	—	3,530	753	920	1,673	392	807
Environmental services	—	—	—	—	—	1,471	5,878	5,577	2,477	418
Library	—	—	—	—	1,717	755	1,067	1,054	1,003	758
Neighborhood business development	—	—	—	—	659	352	221	78	5	76
Total expenditures	496,573	539,535	545,782	540,842	579,933	547,701	572,385	582,217	593,252	587,390
Excess of revenues over (under) expenditures	20,114	(18,035)	(2,214)	(13,199)	(18,473)	(14,469)	7,967	(39,921)	(34,258)	(32,295)
Other financing sources (uses)										
Transfers in	61,804	80,600	88,831	81,231	84,914	58,941	—	35,378	60,110	41,428
Transfers out	(57,446)	(84,400)	(88,079)	(71,164)	(88,118)	(57,623)	(54,497)	(31,704)	(57,014)	(42,652)
Payment to refunding 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)	—	24,513	—	29,962	1,767	—	81,154	—	—	20,622
Capital contributions	—	—	—	—	—	—	—	45	—	—
Total other financing sources (uses)	4,358	20,713	752	40,029	(1,437)	1,318	81,771	3,719	3,096	19,398
Net change in fund balances	\$ 24,472	\$ 2,678	\$ (1,462)	\$ 26,830	\$ (19,910)	\$ (13,151)	\$ 89,738	\$ (36,202)	\$ (31,162)	\$ (12,897)
Debt service as a percentage of noncapital expenditures	5.24%	8.44%	8.63%	3.72%	3.79%	3.48%	2.98%	4.10%	4.07%	3.52%

Note: Prior years' information not available on accrual basis

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Property tax	\$138,081	\$135,851	\$144,594	\$141,446	\$144,393	\$148,055	\$149,507	\$148,791	\$153,969	\$155,756
Sales tax	150,620	159,940	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550
Other taxes	—	—	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857
Total taxes	<u>\$288,701</u>	<u>\$295,791</u>	<u>\$294,210</u>	<u>\$289,767</u>	<u>\$298,353</u>	<u>\$306,871</u>	<u>\$303,202</u>	<u>\$309,070</u>	<u>\$313,123</u>	<u>\$319,163</u>

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
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
2015	5,927,413	46,532	5,973,945	6,207,365	6,250,507	95.58%	2.90%	20.05	42.86
2016	5,980,615	12,247	5,992,862	6,194,319	6,207,003	96.55%	2.88%	20.15	41.92

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.

(3) Assessed Value Municipal Purposes and Assessed Value School Purposes for Fiscal Year 2015 were misstated in last year's CAFR.

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

		City of Rochester			Overlapping Rate	Total
Fiscal Year		General Municipal Purposes	School Purposes	Total Direct Rate	Monroe County (1)	Direct & Overlapping Rate
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
2015	Homestead	6.22	13.83	20.05	9.22	29.27
	Nonhomestead	13.17	29.69	42.86	9.22	52.08
2016	Homestead	6.21	13.94	20.15	9.22	29.37
	Nonhomestead	12.88	29.03	41.91	9.22	51.13

(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, 2016
(000's Omitted)

	2016				2007	
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rochester Gas and Electric	\$ 679,939	1	11.37%	\$ 527,221	1	10.35%
Frontier Telephone Corp.	72,484	2	1.21%	70,699	3	1.39%
Buckingham Properties	63,290	3	1.06%	27,913	4	0.55%
Eastman Kodak Co.	62,078	4	1.04%	100,400	2	1.97%
CSX (Conrail)	26,173	5	0.44%	13,594	9	0.27%
Clinton Asset Holding	25,000	6	0.42%	—	—	—%
Maguire Family Properties	20,715	7	0.35%	18,509	6	0.36%
NK-TCC Property, LLC	16,296	8	0.27%	—	—	—%
AP/AIM Rochester Hotel, LLC	14,800	9	0.25%	—	—	—%
Anthony Dimarzo	13,927	10	0.23%	—	—	—%
Chase Manhattan	—	0	—%	21,709	5	0.43%
Xerox	—	0	—%	14,250	7	0.28%
Landsman Development Corp.	—	0	—%	13,992	8	0.27%
Midtown Rochester LLC	—	0	—%	13,442	10	0.26%
Totals	<u>\$ 994,702</u>		<u>16.63%</u>	<u>\$ 821,729</u>		<u>16.13%</u>

Note:

1) The total taxable assessed value of \$5,980,614,540 was used for fiscal year 2015-16 taxes.

2) The total taxable assessed value of \$5,094,593,000 was used for fiscal year 2006-07 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 Levy
		Amount	Percentage of Levy		Amount (2)	Percentage of Levy			
2007	189,822	174,245	91.79%	10,219	184,464	97.18%	3,469	25,882	13.63%
2008	190,298	174,902	91.91%	8,778	183,680	96.52%	2,832	28,448	14.95%
2009	196,088	181,218	92.42%	7,827	189,045	96.41%	4,220	20,890	10.65%
2010	197,219	182,281	92.43%	8,988	191,269	96.98%	1,182	21,084	10.69%
2011	201,211	185,325	92.10%	9,357	194,682	96.76%	5,833	17,189	8.54%
2012	205,558	189,505	92.19%	9,804	199,309	96.96%	1,940	17,492	8.51%
2013	206,013	190,291	92.37%	9,924	200,215	97.19%	1,347	17,596	8.54%
2014	206,188	191,616	92.93%	8,158	191,616	92.93%	697	21,197	10.28%
2015	213,694	198,289	92.79%	N/A	198,289	92.79%	1,568	24,043	11.25%
2016	213,823	198,982	93.06%	N/A	198,982	93.06%	1,860	25,849	12.09%

Notes:

- (1) Tax exempt properties with an assessed value of \$602,939,350 made payments in lieu of taxes amounting to \$11,223,338 for the fiscal year ending June 30, 2016. If these properties had been fully taxable, total revenues would have increased by \$12,910,940. The properties, upon expiration of their agreements will become fully taxable.
- (2) The City begins foreclosure action on properties after taxes are past due for one year. The City provides tax installment agreements of up to five years to taxpayers demonstrating financial hardship if the property is in compliance with City codes.
- (3) Cancellations are chiefly the result of foreclosure by the City and adjustments made for erroneous assessments.

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

Fiscal Year	Governmental Activities	Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	General Obligation Bonds			
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%	1,037
2014	112,686	78,000	190,686	1.88%	906
2015	94,107	68,605	162,712	N/A	N/A
2016	92,294	77,090	169,384	N/A	N/A

Note:

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

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

3) The City of Rochester does not have any capital leases to present.

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)
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
2015	162,712	24,644	138,068	2.31%	657
2016	169,384	28,048	141,336	2.36%	674

Notes:

- 1) Population figures for 2007 - 2015 are from US Census Bureau www.quickfacts.census.gov , current year data unavailable.
2015 population used for 2016.

THE CITY OF ROCHESTER, NEW YORK
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2016
(000's Omitted)

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Rochester	Amount Applicable to City of Rochester
City of Rochester	\$ 92,294	100.00%	\$ 92,294
County of Monroe (1)	420,190	14.65%	61,558
Total	<u>\$ 512,484</u>		<u>\$ 153,852</u>

(1) Source: County of Monroe Finance Department

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$469,406	\$515,947	\$522,808	\$522,785	\$529,676	\$530,872	\$529,709	\$532,221	\$542,837	\$544,119
Total net debt applicable to limit	313,025	328,185	350,662	338,141	320,038	311,105	331,979	323,825	312,336	313,593
Legal debt margin	<u>\$156,381</u>	<u>\$187,762</u>	<u>\$172,146</u>	<u>\$184,644</u>	<u>\$209,638</u>	<u>\$219,767</u>	<u>\$197,730</u>	<u>\$208,396</u>	<u>\$230,501</u>	<u>\$230,526</u>
Total net debt applicable to the limit as a percentage of debt limit	66.69%	63.61%	67.07%	64.68%	60.42%	58.60%	62.67%	60.84%	57.54%	57.63%

Legal Debt Margin Calculation for Fiscal Year 2016

Indebtedness

Borrowings (Bonds and Notes)	\$374,920	(1)	
Contract liabilities	—	(2)	\$374,920

Deductions and Exclusions

Water Bonds and Notes	60,006	(3)	
Sanitary Sewer Bonds and Notes	—	(3)	
Appropriation	—	(4)	
Cash and cash equivalents	<u>1,321</u>	(5)	<u>61,327</u>
Net indebtedness			313,593
Debt limit (9% of five-year average full valuation)			<u>544,119</u>
Debt Contracting Margin			<u><u>\$230,526</u></u>

Continued

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

Continued

Notes:

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population (1)	206,759	206,886	207,294	210,565	210,855	210,515	210,358	209,983	209,983	209,802
Total Personal Income Monroe County (2)	\$ 29,342,918	\$ 31,044,653	\$ 30,547,345	\$ 31,181,338	\$ 33,153,011	\$ 34,478,067	\$ 36,102,780	N/A	N/A	N/A
Per Capital Personal Income Monroe County (2)	\$ 39,693	\$ 41,895	\$ 41,092	\$ 41,878	\$ 44,385	\$ 46,105	\$ 48,162	N/A	N/A	N/A
School District Enrollment (3)	32,586	32,718	32,132	31,511	31,247	30,734	29,197	29,103	28,401	27,611
Unemployment Rate (4)	5.8%	7.4%	10.2%	10.8%	10.6%	10.8%	9.5%	8.0%	7.3%	6.4%
Employed (4)	88,100	88,000	85,200	86,000	85,100	83,800	85,200	84,400	84,800	84,900

Source:

- (1) 2007 - 2015 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable, 2015 population used for 2016.
- (2) US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).
- (3) Rochester City School District (www.rcsdk12.org).
- (4) www.labor.state.ny.us (Average rates computed through August 2016) for City of Rochester.

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

	2016			2007		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment (2)
University of Rochester/Strong Memorial Hospital	26,673	1	5.17%	17,199	1	3.18%
Rochester Regional Health System (3)	15,540	2	3.01%	—	0	—%
Wegmans Food Markets Inc.	13,839	3	2.68%	14,461	2	2.67%
Xerox Corporation	6,575	4	1.27%	8,100	4	1.50%
Paychex	4,129	5	0.80%	2,588	9	0.48%
Rochester Institute of Technology	3,918	6	0.76%	2,827	8	—%
Lifetime Healthcare Cos. Inc.	3,530	7	0.68%	4,086	7	0.75%
Sutherland Global Services Inc.	3,080	8	0.60%	—	0	—%
Tops Markets LLC	2,895	9	0.56%	—	0	—%
YMCA of Greater Rochester	2,425	10	0.47%	—	0	—%
Eastman Kodak Company	—	0	—%	14,100	3	2.60%
ViaHealth	—	0	—%	6,728	5	1.24%
Unity Health System	—	0	—%	5,002	6	0.92%
Frontier, A Citizens Communications Company	—	0	—%	1,974	10	0.36%

(1) Source: Rochester Business Journal The Lists - 2016 Edition.

(2) Employment source: www.labor.state.ny.us employment data as of 12/31/15 Includes Monroe, Genesee, Livingston, Ontario, Orleans and Wayne counties.

(3) Rochester General Health System (ViaHealth) merged with Unity Health System.

THE CITY OF ROCHESTER, NEW YORK

BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
City Council and Clerk	27.2	27.2	27.2	26.7	26.7	25.7	23.1	23.1	23.1	23.8
Administration	184.3	218.8	208.3	138.9	136.1	92.5	92.9	93.5	97.4	107.1
Information Technology	—	54.0	43.6	47.6	48.5	49.5	49.6	54.2	54.8	54.8
Finance	138.6	97.4	94.4	107.0	106.4	95.9	102.6	106.9	110.9	110.5
Neighborhood & Business Development (1)	—	—	—	154.5	153.2	140.0	137.6	138.2	138.7	136.0
Community Development	96.6	94.7	90.8	—	—	—	—	—	—	—
Economic Development	22.8	21.9	20.8	—	—	—	—	—	—	—
Environmental Services	736.2	738.7	728.2	716.1	712.6	684.7	679.2	682.1	721.1	728.3
Emergency Communications	187.6	192.6	192.6	198.6	196.7	234.8	231.6	231.7	233.9	233.1
Police	923.8	984.1	989.5	958.9	963.3	930.7	940.0	939.0	905.4	903.6
Fire	562.5	554.2	537.9	534.9	525.2	513.4	518.2	527.2	523.5	525.3
Library	172.9	172.9	169.7	166.6	168.4	154.3	146.2	142.2	140.4	138.8
Recreation & Youth Services	277.4	199.3	195.4	194.8	192.4	198.9	188.0	198.1	202.2	201.5
Total	<u>3,329.9</u>	<u>3,355.8</u>	<u>3,298.4</u>	<u>3,244.6</u>	<u>3,229.5</u>	<u>3,120.4</u>	<u>3,109.0</u>	<u>3,136.2</u>	<u>3,151.4</u>	<u>3,162.8</u>

Full-time Employees

Last Ten Fiscal Years

City	2,963	2,963	2,893	2,840	2,801	2,719	2,703	2,714	2,723	2,734
School District	6,099	6,073	6,296	6,053	5,579	5,256	5,365	5,221	5,618	5,740
Total	<u>9,062</u>	<u>9,036</u>	<u>9,189</u>	<u>8,893</u>	<u>8,380</u>	<u>7,975</u>	<u>8,068</u>	<u>7,935</u>	<u>8,341</u>	<u>8,474</u>

Note:

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

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

LAST TEN FISCAL YEARS										Estimated
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Emergency Communications										
Calls received	1,104,893	1,092,231	1,060,971	1,050,971	1,083,485	1,132,135	1,140,707	1,159,818	1,190,000	1,175,000
Police										
Calls for service	413,820	465,268	395,883	416,876	411,421	403,312	357,076	364,947	369,892	349,504
Reported crimes	47,369	30,907	41,593	44,296	45,576	30,119	31,638	30,859	31,402	23,910
Fire										
Unit responses	52,548	53,226	53,226	47,539	46,553	42,112	43,440	43,300	44,100	45,000
Refuse										
Residential accounts	52,690	52,560	52,337	52,340	52,408	52,030	52,446	51,277	51,519	51,773
Commercial accounts	2,625	2,650	2,672	2,663	2,478	2,416	2,386	2,393	2,464	2,552
Total tonnage	109,835	109,258	106,687	104,282	104,886	100,819	97,606	99,500	105,000	104,100
Residential cost per ton	\$ 108.59	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Commercial cost per ton	\$ 169.31	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water										
Millions of gallons per day:										
Filtration plant production	38.46	36.35	37.29	37	37	36.4	37.6	37.4	37.5	36.3
City water demand	30.55	30.44	28.9	27.86	28.32	27.33	27.8	28.2	29.8	28.5
Library										
Total circulation	1,315,811	1,436,450	1,474,828	1,540,559	1,559,881	1,403,642	1,436,899	1,362,970	1,312,304	1,238,353
Door Count/Visits	1,597,711	1,632,837	1,636,686	1,709,054	1,750,800	1,743,885	1,830,930	1,859,661	1,697,882	1,517,576
Computer Use Sessions	370,098	376,496	398,995	424,429	428,799	392,914	396,752	373,830	340,972	297,738
Parking										
Total parking spaces	11,637	11,165	8,926	11,008	10,887	10,642	10,642	10,642	12,260	12,260
Annual car counts	2,396,205	2,671,826	2,667,998	2,574,767	2,574,767	2,485,920	2,569,680	2,571,280	2,571,644	2,574,170
Parks and Recreation										
Convention Center attendance	274,000	278,845	279,618	279,618	241,951	244,575	226,176	255,000	250,000	251,305
War Memorial/Blue Cross Arena										
Total attendance	536,927	472,428	509,644	366,828	460,672	583,412	624,456	399,000	380,000	386,682

Source: City of Rochester Budget & Departments

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Miles of streets	539	539	540	540	540	540	532	532	532	533
Parking garages	8	8	8	8	8	8	8	8	9	9
Libraries	11	11	11	11	11	11	11	11	11	11
Fire houses	15	15	15	15	15	15	15	16	16	16
City-owned street lights (1)	15,348	15,673	16,400	16,500	27,849	27,800	27,949	28,100	28,100	28,110
Fire hydrants	7,287	7,287	7,287	7,686	7,686	7,843	7,634	7,638	7,655	7,654

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

**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, 2016, 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 13, 2016.

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 on 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 City'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 City'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 13, 2016



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

INDEPENDENT AUDITOR'S REPORT

The 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 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, 2016. 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 \$79,700,627 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of the District because it was determined that the District's federal awards are being reported 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Freed Maxick CPAs, P.C.

Rochester, New York
December 13, 2016

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
DEPT. OF HOUSING AND URBAN DEVELOPMENT:				
CDBG PY 2002	B-02-MC-36-0003	14.218		\$ 225
CDBG PY 2003	B-03-MC-36-0003	14.218		1,695
CDBG PY 2004	B-04-MC-36-0003	14.218		763
CDBG PY 2005	B-05-MC-36-0003	14.218		14,076
CDBG PY 2006	B-06-MC-36-0003	14.218		31,976
CDBG PY 2007	B-07-MC-36-0003	14.218		28,225
CDBG PY 2008	B-08-MC-36-0003	14.218		227,641
CDBG PY 2009	B-09-MC-36-0003	14.218		154,594
CDBG PY 2010	B-10-MC-36-0003	14.218		71,689
CDBG PY 2011	B-11-MC-36-0003	14.218		324,844
CDBG PY 2012	B-12-MC-36-0003	14.218		1,571,664
CDBG PY 2013	B-13-MC-36-0003	14.218		1,676,074
CDBG PY 2014	B-14-MC-36-0003	14.218		1,660,181
CDBG PY 2015	B-15-MC-36-0003	14.218	2,026,508	4,046,900
Total CDBG Cluster				9,810,547
Emergency Shelter	S-08-MC-36-0006	14.231	15	15
Emergency Shelter	S-11-MC-36-0006	14.231	2,308	2,308
Emergency Shelter	S-12-MC-36-0006	14.231	4,691	4,691
Emergency Shelter	E-13-MC-36-0005	14.231	13,847	13,847
Emergency Shelter	E-14-MC-36-0005	14.231	183,214	183,214
Emergency Shelter	E-15-MC-36-0005	14.231	228,531	281,771
Home Program 2007	M-07-MC-36-0504	14.239		3,000
Home Program 2008	M-08-MC-36-0504	14.239		54,696
Home Program 2010	M-10-MC-36-0504	14.239		63,545
Home Program 2011	M-11-MC-36-0504	14.239		78,206
Home Program 2012	M-12-MC-36-0504	14.239		212,308
Home Program 2013	M-13-MC-36-0504	14.239		407,294
Home Program 2014	M-14-MC-36-0504	14.239	634,770	1,119,860
Home Program 2015	M-15-MC-36-0504	14.239		663,111
Lead Hazard Control Grant LED05	NYLHD0277-15	14.905		225,992
Lead Hazard Control Grant LED06	NYLHD0247-13	14.905		88,372
HOPWA	N-YH-11-F003	14.241	7,298	7,298
HOPWA	N-YH-12-F003	14.241	6,137	6,137
HOPWA	N-YH-13-F003	14.241	21,365	21,365
HOPWA	N-YH-14-F003	14.241	216,796	216,796
HOPWA	N-YH-15-F003	14.241	447,228	460,194
U.S. DEPARTMENT OF COMMERCE				
EDA - Photech Redevelopment	01-01-14186	11.300		549
Total Economic Development Cluster				549
U.S. DEPARTMENT OF JUSTICE				
Justice Assistance Grant-8	2011-DJ-BX-2223	16.738		40,281
Justice Assistance Grant-9	2012-DJ-BX-0584	16.738		63,666
Justice Assistance Grant-10	2013-DJ-BX-1054	16.738		73,314
Justice Assistance Grant-11	2014-DJ-BX-0450	16.738		23,219
Justice Assistance Grant-12	2015-DJ-BX-0036	16.738		48,211
Smart Policing Initiative	2012-DB-BX-0004	16.751		108,041
Body-Worn Camera Policy and Implementation Program	2015-DE-BX-K022	16.738		28,945
PASS THROUGH FROM DCJS:				
Real-Time Crime Analysis Center	C637199	16.738		3,391
Stop Violence Against Women 2015	T652156	16.588		17,790
Stop Violence Against Women 2016	C652156	16.588		18,171
PASS THROUGH FROM OFFICE OF VICTIMS SERVICES:				
Crime Victims Assistance 2014-2015 (YR #1)	C100294	16.575		51,632
Crime Victims Assistance 2015-2016 (YR #2)	C100294	16.575		164,491

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Continued

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
PASS THROUGH FROM COUNTY OF MONROE:				
Grants to Encourage Arrest- Domestic Abuse Response Team (YR #1)	2014-WE-AX-0029	16.590		10,802
Grants to Encourage Arrest- Domestic Abuse Response Team (YR #2) (2015)	2014-WE-AX-0029	16.590		21,611
PASS THROUGH FROM RIT:				
2014 Project Safe Neighborhoods - Pathways to Peace DRYS (YR #1)	2014-GPBX-0004 Subaward 31496-02	16.609		4,485
2014 Project Safe Neighborhoods - Pathways to Peace DRYS (YR #2) (2015)	2014-GPBX-0004 Subaward 31496-02	16.609		13,895
2014 Project Safe Neighborhoods - POLICE (YR #1) (2014)	2014-GPBX-0004 Subaward 31496-04	16.609		34,443

U.S. DEPARTMENT OF TRANSPORTATION

NYS DEPARTMENT OF TRANSPORTATION (Pass Through)

Broad Street Tunnel - 4751.87	D011450	20.205		40
Broad Street Bridge	D013824	20.205		470,540
Inner Loop Study Phase II	D017599	20.205		4,983,429
Port ITS and Security	D022323	20.205		56,515
Mt. Hope Ave. & E. Henrietta Road	D022408	20.205		66,730
Ridgeway Avenue	D031733	20.205		1,326,700
University Artwalk II	D032195	20.205		1,650
Brooks Landing Revitalization	D032280	20.205		100,295
Waring Road	D033327	20.205		239
Lake Ave Merrill to Burley	D033366	20.205		1,918,053
AVL/ Weather Sensor ITS	D033478	20.205		218,571
Bicycle Trails	D033512	20.205		33,919
Winton Road North	D033808	20.205		38,466
Preventive Maintenance (Driving Park)	D033820	20.205		7,382
Dewey Driving Park	D034268	20.205		197,198
Asphalt Maint and Repair (East/University)	D034272	20.205		1,359,896
Preventive Maint (Crittenden)	D034800	20.205		542
Elmwood Ave / Collegetown Cycle Track	D034682	20.205		11,948
Asphalt Maint and Repair (Goodman/Main/University)	D034839	20.205		177,288
Asphalt Maint and Repair (Ames/Bufalo)	D034872	20.205		92,800
Asphalt Maint and Repair (Arnett/GPB/Webster)	D034873	20.205		65,943
Main Street Streetscape and Ped. Wayfinding	D034908	20.205		198,341
Asphalt Maint and Repair (S. Goodman)	D034955	20.205		68,052
Asphalt Maint and Repair (Clifford/North/Ridge/Lyell)	D034960	20.205		1,309,802
Asphalt Maint and Repair (Browncroft/Merchants)	D034995	20.205		72,970
Total Highway Planning and Construction Cluster				12,777,309

Child Passenger Safety Program 2016	PD-00099-(028)	20.613		3,217
DWI Crackdown Grant 2014-2015 (GTSC & County Pass Through)	G240500005.1415	20.600		13,281
DWI Crackdown Grant 2015-2016 (GTSC & County Pass Through)	G240500005.1516	20.600		8,368
Total Highway Safety Cluster				24,866

U.S. ENVIRONMENTAL PROTECTION AGENCY

Brownfield Grant Program Income (EPA00 and EPA09)		66.818		
Brownfield Grant EPA-09	BF97254807	66.818		115,000
Brownfield Grant EPA-13	BF97207700	66.818		9,517
Brownfield Grant EPA-14	BF97207800	66.818		106,571
Brownfield Grant EPA-16	XP-97229801	66.818		183,038
Brownfield Grant EPA-17	BF96282514	66.818		42,843
Brownfield Grant EPA-18	BF96290614	66.818		28,245
Brownfield Grant EPA-19	TR96278416	66.818		85,367

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Continued

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Substance Abuse Grant Yr 5 of 5				43,323
Federal Pregnancy Prevention Grant Yr 5 of 5 incl carryover	4-TP1AH000046-05-02	93.297		501,004
Federal Pregnancy Prevention Grant Yr 1 of 5 incl carryover	5 TP1AH000083-02-00	93.297	461,349	772,943
Community Adolescent Pregnancy Prevention Yr 5 ext	C026968	93.778	105,141	231,997
Total Medicaid Cluster				231,997
CORPORATION FOR NATIONAL & COMMUNITY SERVICE				
Americorps Yr 1 of 3 (PASS THROUGH - NYS Commission on National & Community Service)	C027778	94.006		244,987
DEPARTMENT OF HOMELAND SECURITY				
2013 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM13153731	97.067		33,879
2014 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM14153741	97.067		53,780
2015 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM15153751	97.067		280
SLETPP-2013 (PASS THROUGH- NYS DHSES)	WM13184432	97.067		60,069
SLETPP-2014 (PASS THROUGH- NYS DHSES)	WM14153742	97.067		22,424
SLETPP-2015 (PASS THROUGH- NYS DHSES)	WM15153752	97.067		50,869
SHSP-2013 (PASS THROUGH- NYS DHSES)	WM13153730	97.067		39,871
SHSP-2014 (PASS THROUGH- NYS DHSES)	WM14153740	97.067		24,477
SHSP-2015 (PASS THROUGH- NYS DHSES)	WM15153750	97.067		18,032
TACTICAL TEAM 2015 (PASS THROUGH- NYS DHSES)	WM15163359	97.067		74,793
2013 Canine Explosive Detection Grant (PASS THROUGH- NYS DHSES)	WM13153739	97.067		13,990
2014 Canine Explosive Detection Grant (PASS THROUGH- NYS DHSES)	WM14153749	97.067		9,765
2015 Canine Explosive Detection Grant (PASS THROUGH- NYS DHSES)	WM15153759	97.067		12,000
2013 AFG Grant Training Simulator (FEMA pass thru)	EMW-2013-FO-06472	97.044		328,500
U.S. DEPARTMENT OF EDUCATION				
PASS THROUGH (From NYS Dept. of Education)				
21st Century Grant RASA	0187-15-6124	84.287		49,831
U.S. DEPARTMENT OF AGRICULTURE:				
Summer Food Service (PASS THROUGH - NYS DOE)	36-079500	10.559		260,616
Total Child Nutrition Cluster				260,616
TOTAL CITY GRANTS			\$ 4,359,198	\$ 30,871,690

THE CITY OF ROCHESTER, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule 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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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 are 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 \$750,000 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 25% of the Type A threshold or \$187,500 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected in accordance with the Uniform Guidance.

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 \$322,550 in the 2016 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.

NOTE 5 - INDIRECT COST RATE

The amount expended includes \$492,067 claimed as an indirect cost recovery using an approved indirect cost rate of 29.5 percent. The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

 Yes X No
 Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

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

 Yes X No
 Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)

 Yes X No

Identification of major programs:

CFDA Numbers(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction Cluster

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

\$ 926,151

Auditee qualified as low-risk auditee?

 X yes no

THE CITY OF ROCHESTER, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

THE CITY OF ROCHESTER, NEW YORK

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs related to the financial statement audit noted for the year ended June 30, 2015.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs related to federal awards noted for the year ended June 30, 2015.

STATE TRANSPORTATION AWARDS



**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 Transportation Assistance 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, 2016. The program tested is identified in the summary of auditor's 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 state statutes, regulations and the terms and conditions 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 programs for the year ended June 30, 2016.

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 13, 2016

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED JUNE 30, 2016

	Grant Number	Current Year
STATE OF NEW YORK:		
DEPARTMENT OF TRANSPORTATION:		
Brooks Avenue Revitalization	C006777	\$ 190,317
Port of Rochester Redevelopment - River St. Extension	C006871	114,184
Port of Rochester Redevelopment - Lighthouse Trail	C006964	99,742
Erie Harbor Enhancements	C006966	37,000
Durand Eastman Bathhouse	C006967	242,038
Port of Rochester Redevelopment - Promenade	C007068	494,054
Port of Rochester Redevelopment- Public Marina	C007069	18,130
Promenade at Erie Harbor	C007143	130,092
Port of Rochester Redevelopment	C007144	364,610
Port of Rochester Redevelopment- Boater Infrastructure	C0Y15D1	271,551
Water Quality Improvement Grant	C304407	204,652
Turning Point Park Trailhead	C8-6445-02-00	320,174
Port of Rochester Redevelopment - Green Infrastructure	C8-6445-03-00	140,438
Snow & Ice Control	D005375	72,054
Broad Street Tunnel - 4751.87	D011450	8
Historic Eric Canal Aquaduct	D013824	694
Mt. Hope & E. Henrietta	D022408	428
Asphalt M&R TIP (S. Goodman/S. Clinton)	D025863	50,221
Asphalt M&R TIP (Goodman/Main)	D027485	28,650
Ridgeway Ave	D031733	206,113
University Artwalk II (State ARRA)	D032195	82
Charlotte Port - Lakefront Development	D033037	344,260
Waring Road	D033327	45
Lake Avenue - Merrill	D033366	359,635
Winton Road North	D033808	453
Park Ave over Genesee River	D033820	37,500
Asphalt M&R TIP (East/Univ/Winton)	D034272	214,988
Asphalt M&R TIP (Goodman/Main)	D034839	33,250
Asphalt M&R TIP (Arnes/Bufalo)	D034872	17,400
Asphalt M&R TIP (Arnett/GPB/Webster)	D034873	12,364
Asphalt M&R TIP (S. Goodman/S. Clinton)	D034955	15,862
Asphalt M&R TIP (Clifford/Norton/Ridge)	D034960	243,866
Driving Pk over Genesee Prev Maint	D035068	500,000
Consolidated Street & Highway Improvements		4,066,700
Total NYS DOT grants		<u>\$ 8,831,555</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO THE SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Internal control over State Transportation Assistance Expended:

- | | | |
|---|-----------------------|-----------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> No |

Type of auditor's report issued on compliance for major programs: 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 for the year ended June 30, 2016.