

THE CITY OF ROCHESTER, NEW YORK
Comprehensive Annual Financial Report
Year Ended June 30, 2017

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Department of Finance

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**ANNUAL FINANCIAL REPORT
Year Ended June 30, 2017**

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INTRODUCTORY SECTION



December 13, 2017

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, 2017. The accounting firm selected by City Council, Freed Maxick CPAs PC, has audited the financial statements. The auditors' unmodified "clean" opinion is included in this report.

In each of the past thirty-three 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 2017 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,

A handwritten signature in blue ink that reads "Lovely A. Warren".

Lovely A. Warren
Mayor



December 13, 2017

**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, 2017. 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, 2017. 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 65,479 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 28,923 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. Today, Kodak's key business units include print systems, enterprise inkjet systems, flexo graphic printing, software and solutions, consumer and film, and advanced materials and 3D printing technology. In 2016, Kodak reported a profit from continuing operations for the full year.

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, over 6,000 people work at almost 100 companies at Eastman Business 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, Carestream Health Inc. a subsidiary of Onex Corporation's Onex Healthcare Holdings, Inc., which purchased various units of Kodak's healthcare business, Optimization Technology, which acquired Kodak's capital engineering, capitalized maintenance and construction units; Ultralife Corporation, which spun out of Kodak in 1991, and many others.

Economic Development

The City's development services provide expanding and relocating businesses with technical assistance and financing through several business loan and grant programs. Many economic development activities in the City are

centralized, providing greater convenience to businesses needing assistance. The City staffs the local development corporation, Rochester Economic Development Corporation, and the NYS Empire Zone program.

During the fiscal year ending June 30, 2017, the Department of Neighborhood and Business Development assisted numerous businesses resulting in 668 jobs retained and 463 new jobs created. Total business investment was \$33,250,000.

The unemployment rate for the Rochester area as of June 2017 was 4.8% compared to the national rate of 4.4% and the State rate of 4.5%.

Significant Announcements

Rochester's Zagster bikeshare system launched on July 20, 2017 with 43 stations and a fleet of 340 shared bicycles. The stations are centered on the downtown area and extend into neighborhoods in all directions. More than 21,000 rides were taken in the first three months of service, an average of more than 230 trips per day. The system will shut down for winter on November 1 and re-launch for its first full season of service on April 1, 2018. The City will continue to work with Zagster to expand the system and increase its accessibility to the residents and visitors of our city.

The Office of Energy and Sustainability (OES) has been focused on advancing several key programs, partnerships, and projects. With support from the New York Power Authority (NYPA) Race to the Top grant funding, several City-owned facilities will be receiving energy efficient lighting upgrades, including the Blue Cross Arena, the 911 Communications Center, Charlotte Branch Library, as well as recreation centers located throughout the city. A prior iteration of a similar NYPA-supported project allowed for over 20,000 LED tube installations across City facilities, including City Hall, the Public Safety Building, and Mt. Hope Cemetery, among others, helping make City operations more energy efficient.

Additionally, the OES is working on installing 12 additional electric vehicle (EV) charging stations for public use at High Falls Garage, the Public Market, Charlotte Branch Library, Genesee Valley Park, and Cobbs Hill Lake Riley Lodge, providing the necessary infrastructure for EV readiness. As a core partner in the Rochester EV Accelerator program, the OES is advocating for greater EV adoption in the community while educating the public, major employers, and other municipalities to consider choosing EVs, an environmentally favorable transportation option. Other projects include developing a climate vulnerability assessment, completing the 2-megawatt solar field installation at the former Emerson St. landfill, and developing a sustainable guidance document for building owners and occupants.

The City has partnered with Eastman Kodak to market the parcels found in the Eastman Business Park (EBP) to prospective businesses. Available properties consist of vacant buildings as well as approximately 72 acres of vacant land found along West Ridge Road. The City, along with its partners Monroe County, Empire State Development and Greater Rochester Enterprise, assisted with the recent Cody Gate Ventures development that brought three new businesses to the area (Intrinsiq Materials, Quintel Technologies and Omni-ID), bringing 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 the redevelopment of EBP 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 and its economic development partners meet regularly to discuss potential development projects within EBP.

The New York Photonics board announced in March 2017 that the headquarters for The Photonics Institute will be located at Eastman Business Park on Lake Avenue. The total budget for the initiative is up to \$600 million.

Eastman Business Park, which previously only was home to Eastman Kodak Company, now has more than 100 organizations operating within its geographic area. To accommodate this growth and continue to be an essential part of economic development, Eastman Kodak is undertaking a master plan for EBP to evolve into a dynamic community for individuals not only to work in, but to live and be entertained with Kodak's Theatre on the Ridge feature a large mural of its founder George Eastman.

To make the park more efficient and energy efficient, RED-Rochester purchased four new natural gas boilers to meet the needs of the 100 plus companies operating at EBP. This will lower the park's operating costs and decrease the park's carbon emissions by 50 percent. These benefits will have a positive impact of attracting more businesses to the park.

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 a 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 has approved, and closed on the sale of 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 City closed on the sale of Parcel #2 to Buckingham, for construction of a mixed use development.

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 104 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 which is currently underway; 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): HTR announced in December 2014 that it will be leasing the entire 6th floor (68,000 sq. ft.) of the Sibley building for its new accelerator space. New York State will be providing a \$5 million grant for the HTR project at the Sibley Building, and HTR 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 Accelerator is anticipated to open in January of 2018. **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 December 2016, Xerox separated its business process service operations into a new publicly traded company named Conduit. Headquartered in New Jersey, Conduit has over \$6 billion in revenue and 93,000 employees. Xerox remains as a publicly traded company focused on document management for a wide variety of industries. Headquartered in Norwalk, Connecticut, the company has \$11 billion in revenue and 35,000 employees. Cost reduction measures continue as part of the restructuring. Xerox currently employs approximately 6,051 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 company employs 985 workers in the Rochester area.

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. The City of Rochester and its partners continue to market the program to attract additional funding opportunities.

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 45,055 full time and 7,019 part time students enrolled in the fall of 2015.

University of Rochester. As of June 2015, the University was responsible for 26,821 jobs. A significant share of the University's growth has occurred at the University of Rochester Medical Center as Strong Health extends clinical service penetration beyond the metropolitan area and URMC expands its research facilities and total employment.

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, URMC 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. Over 1.2 million people attended these museums combined in 2015.

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 Kodak Center for the Performing Arts, Downstairs Cabaret Theatre and the Blackfriars of Rochester.

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; the Rochester Razorsharks of the American Basketball League; and the Rochester Raging Rhinos of the United Soccer League.

The Blue Cross Arena at the War Memorial. With seating capacity for sports events of 11,215, the Blue Cross Arena is home to the Rochester Americans Hockey Team, the Rochester Nighthawks Lacrosse Team, and the Rochester Razorsharks Basketball Team. With a total capacity of 13,000 the arena is also a venue for many concerts and events.

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.

Capelli Sport Stadium. The Rochester Raging Rhinos play at Capelli Sport Stadium. This multi-use outdoor stadium seats 13,768. It opened in June 2006 in downtown Rochester.

The Mayor
Rochester, NY

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 1.5 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. Exports from the Rochester MSA were over \$4.6 billion for calendar 2016.

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. The project is expected to create 980 permanent jobs and approximately 1,500 construction jobs. More recently, a new REI store, specializing in retail and outdoor recreation services, opened in August 2017.

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.

To foster investment and revitalization of the Center City, the City continues to offer 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 Rochester Downtown Development Corporation (RDDC) is tracking \$914.2 million in public and private investment, either recently completed, underway and proposed to commence in the next 12 months. The RDDC also reports there are 1,693 new rental and for sale housing units planned or under construction in the downtown

area, adding to the population growth being experienced in Center City. The housing vacancy rate remains around the 2.3% mark, well below the industry standard of 5%.

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

Sibley Square Market Rate Units - Lease-up of the market-rate units in the Sibley Square development has begun and tenants have started to move in as at October 2017.

Charlotte Square Rental Apartments - The project involved the new construction of 72 rental apartments and an investment of over \$15 million. This project is complete and fully leased up.

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.

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.

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.

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. The train station is complete and began operation October 2017.

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

The Hyatt Regency Rochester Hotel - The hotel was purchased by local developers in February 2016. The Hyatt is a 17-story building with 338 guest rooms and 20,000 square feet of meeting space. The hotel underwent an \$18,000,000 renovation plan which is scheduled to be completed by the end of 2017. The property includes a new Starbucks Café and a new Morton's Steakhouse restaurant.

Inner Loop East Site 1 (120 Charlotte Street) - The City issued a request for proposals (RFP) for the sale and development of the new parcels of land created as a result of the Inner Loop East (ILE) Transformation Project. ILE Site 1 will be sold through an RFP process to a local developer for the construction of 50 affordable rental housing units. The project is expected to commence construction in 2018.

Inner Loop East Site 2 (270 East Avenue) - Through the same RFP process used for ILE Site 1, ILE Site 2 will be sold for the construction of a four to five story building of 221,000 square feet for mixed use, to include retail, office, 120 (+/-) dwelling units, some underground and group-level parking spaces, and a public open space.

Inner Loop East Sites 4 & 5 - The City Council has authorized a purchase option for ILE Sites 4 and 5 as well as two other adjacent parcels, for the expansion of the Strong Museum of Play, and the construction of a multi-level parking structure, a 120 to 150 all-suites hotel, and a mixed-use development of 17,000 square feet of urban mixed retail, and approximately 250 residential rental units. Construction is expected to begin in 2018.

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.

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 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. 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 is expected to 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 Townhomes - Home Leasing was selected through an RFP process to purchase and develop vacant land on Charlotte Street in Center City. The second phase of a larger project will include the development of ten (10) owner-occupied townhouses. The first of the townhomes is presently under construction.

Court Street Apartments - Morgan Management plans to construct a new building with 111 residential housing units and first floor commercial space. The investment for this project is approximately \$33.5 million. This project is being developed in conjunction with the City's efforts to improve trail connectivity alongside the Genesee River.

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.

Inner Loop East Transformation Project - 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.

Investment in Residential Areas

In addition to investments in business development, the City is devoting the major share of its Community Development Block Grant (CDBG) program to the improvement of residential neighborhoods. According to the table following, the City has allocated \$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, 2018
Residential Neighborhoods	\$348.1
Business Development	90.7
Urban Renewal Completion	19.1
Planning, Management and Administration	<u>\$ 64.3</u>
TOTAL	\$522.2

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 2017-18 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 \$12.2 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 (\$1,439,398), 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 (\$7,517,490), 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 (\$2,154,313), and other (\$1,137,800) which includes staff costs, program management, and services to the homeless and those with AIDS.

Some examples of the impact of these investments for last year's 2016-17 program include 124 homebuyers assisted, 150 jobs created/retained, and 2,899 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, 2017 was \$5,669,762. The City adopted a fund balance policy on October 17, 2017 specifying unrestricted fund balance in the general fund to be maintained at no less than 12.5% of annual projected general fund expenditures in the same fiscal year. The policy also specifies that should fund balance in the general fund fall below this level then restoration will be no later than within three years.

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

constitution debt limit between the City and the District; 5.5% 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, 2016. This was the thirty-third 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 2017 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, 2016

Executive Director/CEO

CITY OF ROCHESTER, NEW YORK
MAYOR AND CITY COUNCIL OFFICIALS

June 30, 2017

Lovely A. Warren, Mayor

Loretta C. Scott, President

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

Carolee A. Conklin (At-Large)

Matt Haag (At-Large)

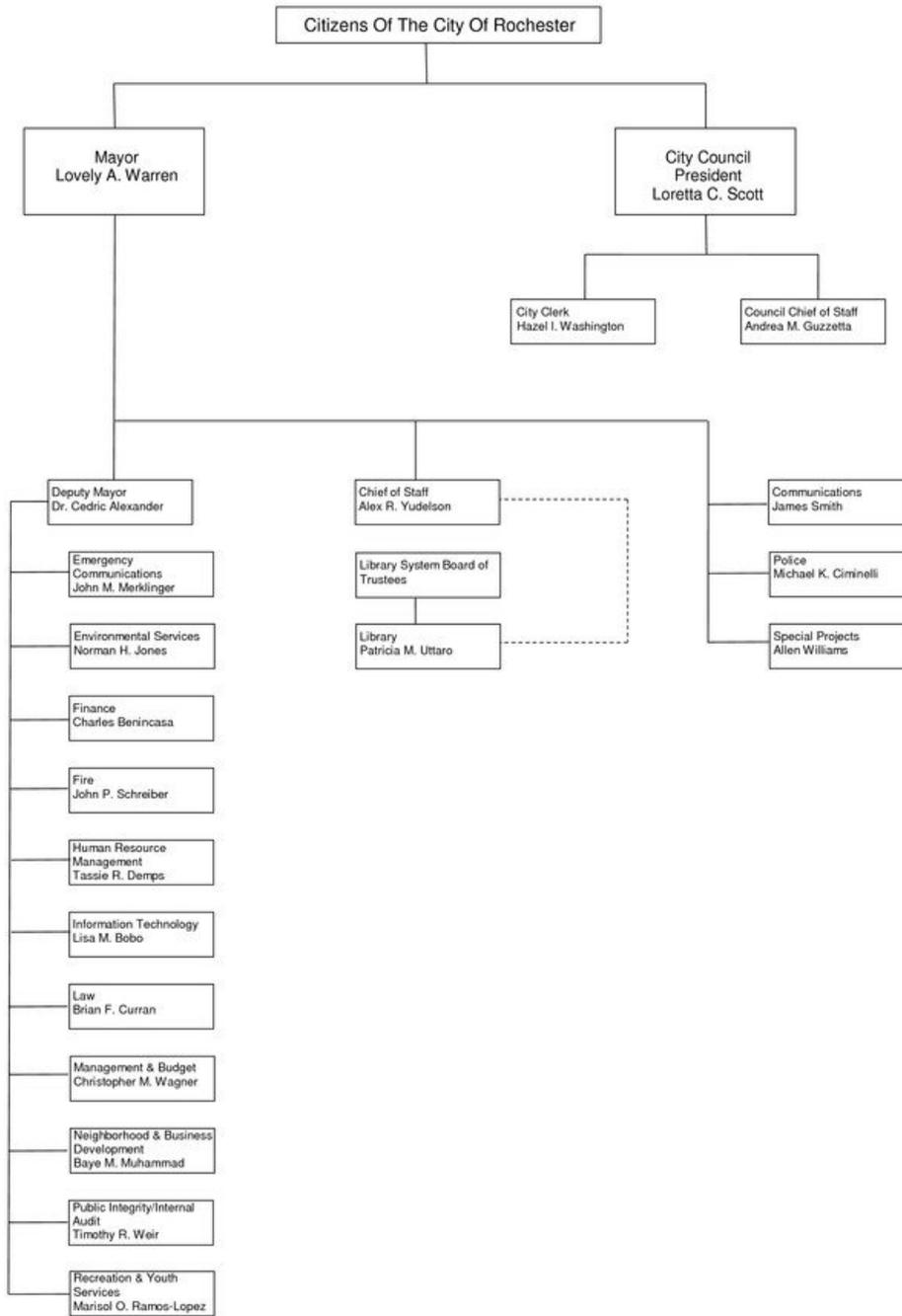
Adam C. McFadden (South District)

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, 2017

Mayor	Lovely A. Warren
Deputy Mayor	Dr. Cedric Alexander
Chief of Staff	Alex R. Yudelson
City Clerk	Hazel I. Washington
City Council Chief of Staff	Andrea M. Guzetta
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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 New York State department of 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 New York State department of 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 New York State department of 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, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Rochester, New York
December 13, 2017

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, 2017. 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, 2017.

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 \$522,830 (net position).
- The City's total net position decreased by \$76,772.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$157,789, a decrease of \$19,960 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,670.

The City's total outstanding debt decreased by \$9,281 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, 2017, 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 \$522,830 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 387,849	\$ 396,336	\$ 86,339	\$ 86,337	\$ 474,188	\$ 482,673
Capital assets	749,489	731,218	282,376	288,237	1,031,865	1,019,455
Total assets	1,137,338	1,127,554	368,715	374,574	1,506,053	1,502,128
Deferred pension outflow	79,425	149,702	1,628	3,826	81,053	153,528
Total deferred outflows of resources	79,425	149,702	1,628	3,826	81,053	153,528
Long-term liabilities outstanding	674,924	677,768	113,491	118,945	788,415	796,713
Other liabilities	211,821	198,056	45,258	37,485	257,079	235,541
Total liabilities	886,745	875,824	158,749	156,430	1,045,494	1,032,254
Deferred pension inflow	18,412	23,314	370	486	18,782	23,800
Total deferred inflows of resources	18,412	23,314	370	486	18,782	23,800
Net position:						
Net investment in capital assets	642,707	626,527	199,698	205,542	842,405	832,069
Restricted	40,619	66,658	9,442	17,126	50,061	83,784
Unrestricted (deficit)	(371,720)	(315,067)	2,084	(1,184)	(369,636)	(316,251)
Total net position	\$ 311,606	\$ 378,118	\$ 211,224	\$ 221,484	\$ 522,830	\$ 599,602

The City's total net position decreased by \$76,772. As a result there is a decrease of \$66,512 in the net position of governmental activities and a decrease of \$10,260 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 decreased by \$66,512. 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 138,290	\$ 133,701	\$ 87,085	\$ 79,376	\$ 225,375	\$ 213,077
Operating grants and contributions	38,226	33,289	—	11	38,226	33,300
Capital grants and contributions	37,791	18,166	4,160	1,493	41,951	19,659
General revenues:						
Property taxes	154,506	152,921	3,366	2,641	157,872	155,562
Sales and other taxes	168,984	163,802	905	905	169,889	164,707
Governmental aid	101,269	103,420	60	6	101,329	103,426
Other	8,997	8,611	1,294	1,467	10,291	10,078
Total revenues	648,063	613,910	96,870	85,899	744,933	699,809
Expenses:						
General Government	177,758	166,709	—	—	177,758	166,709
Neighborhood business development	31,641	25,883	—	—	31,641	25,883
Environmental services	50,473	42,010	—	—	50,473	42,010
Transportation	24,743	24,369	—	—	24,743	24,369
Emergency communications	25,752	24,987	—	—	25,752	24,987
Police department	163,702	157,406	—	—	163,702	157,406
Fire department	87,741	85,311	—	—	87,741	85,311
Library	15,705	15,739	—	—	15,705	15,739
Recreation and youth services	19,039	20,361	—	—	19,039	20,361
Education	119,100	119,100	—	—	119,100	119,100
Interest on long term debt	4,295	4,535	—	—	4,295	4,535
Sewers	—	—	—	—	—	—
Water	—	—	34,549	33,076	34,549	33,076
Parking	—	—	29,238	15,595	29,238	15,595
War memorial	—	—	2,449	2,068	2,449	2,068
Refuse	—	—	29,986	28,978	29,986	28,978
Cemetery	—	—	3,522	3,565	3,522	3,565
Public market	—	—	2,012	1,101	2,012	1,101
Total expenses	719,949	686,410	101,756	84,383	821,705	770,793
Excess (deficiencies) of revenues over expenses	(71,886)	(72,500)	(4,886)	1,516	(76,772)	(70,984)
Transfers	5,374	5,374	(5,374)	(5,374)	—	—
Change in net position	(66,512)	(67,124)	(10,260)	(3,858)	(76,772)	(70,984)
Net position - beginning (as restated)	378,118	445,242	221,484	225,342	599,602	670,584
Net position - ending	\$ 311,606	\$ 378,118	\$ 211,224	\$ 221,484	\$ 522,830	\$ 599,602

Governmental activities revenue highlights

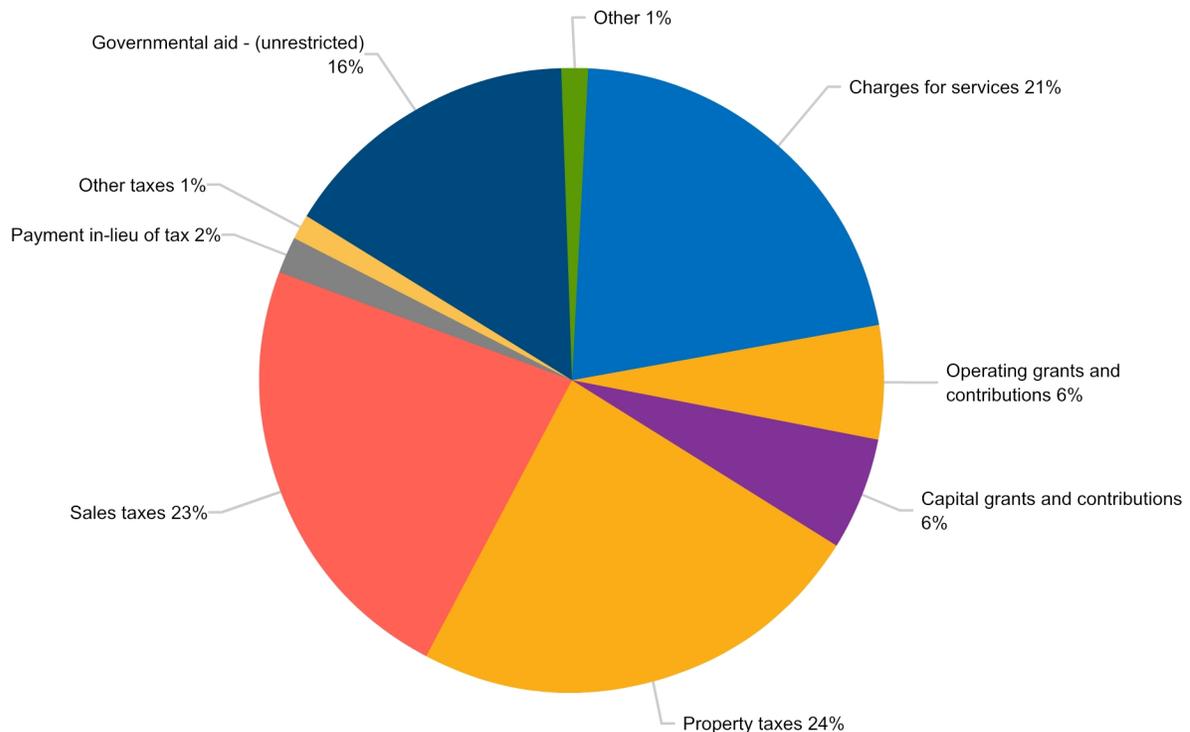
The major factors contributing to the overall revenue increase of \$34,041 were:

- Charges for services increased \$4,477 primarily due to an increase of \$4,675 in General Government: a decrease of \$1,985 in Police; a decrease of \$259 in Emergency Communications; a decrease of \$130 in Library; and a decrease of \$507 in Neighborhood Business Development; offset by an increase of \$838 in Fire; an increase of \$286 in Transportation; an increase of \$396 in Environmental Services; an increase of \$1,163 in Recreation & Youth Services;
- Operating grants and contributions increased \$4,937 primarily due to an increase of \$4,187 in General Government; an increase of \$854 in Police; an increase of \$22 in Fire; an increase of \$584 in Transportation; offset by a decrease of \$286 in Environmental Services; a decrease of \$129 in Recreation & Youth Services; a decrease of \$221 in Library; and a decrease of \$74 in Neighborhood Business Development;
- Capital grants and contributions increased \$19,625, primarily due to an increase of \$6,906 in General Government; an increase of \$16,565 in Transportation; an increase of \$34 in Neighborhood Business Development; and an increase of \$245 in Library; offset by a decrease of \$4,125 in Environmental Services;
- Property tax revenue increased \$1,585 primarily due to an increase of \$2,801 in Real Property Tax Levy; an increase of \$78 in Delinquent Collections; an increase of \$356 in Animal Control; offset by a decrease of \$1,003 in Adjusting Entries; a decrease of \$353 in Lien Sale Delinquent Collections and a decrease of \$294 in Property Tax Support;
- Sales and other taxes increased \$5,182 primarily due to an increase of \$3,713 in Sales Tax and an increase of \$1,129 in Payment in-lieu of tax, and an increase of \$340 in Other Taxes;
- Other increased \$386.

The above increases of \$36,192 were offset by the following decreases which total \$2,151:

- Governmental aid decreased by \$2,151 primarily due to a decrease in several Federal and NYS Grants.

Revenues by Source - Governmental Activities



Governmental activities expense highlights

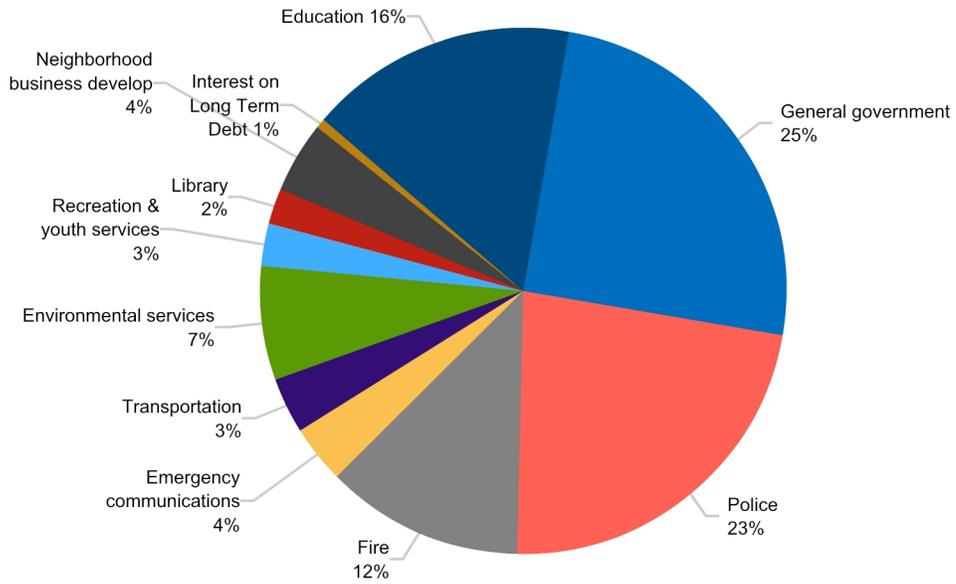
The major factors contributing to an overall increase in governmental activities expenses of \$35,400 were as follows:

- General government expenses increased \$13,049 due to an increase of \$7,773 in General; an increase of \$1,594 in Debt Service; an increase of \$72 in Animal Control; an increase of \$2 in Other; an increase of \$74 in Community Development; an increase of \$3,373 in Transportation and an increase of \$1,704 in Adjusting Entries; offset by a decrease of \$73 in Library; a decrease of \$988 in Local Works, and a decrease of \$482 in General Fund;
- Police expenses increased \$6,295 primarily due to an increase of \$4,000 in General; an increase of \$33 in Animal Control; an increase of \$377 in State Projects; an increase of \$113 in General Fund and an increase of \$1,772 in Adjusting Entries;
- Fire expenses increased \$2,430 primarily due to an increase of \$2,423 in General; an increase of \$169 in General Fund; offset by a decrease of \$30 in State Projects; a decrease of \$132 in Adjusting Entries.
- Emergency communications expenses increased \$764 due to an increase of \$514 in General Fund and an increase of \$250 in Adjusting Entries;
- Transportation expenses increased \$374 primarily due to an increase of \$5 in Local Works; an increase of \$13 in Other; an increase of \$3,813 in General Fund; offset by a decrease of \$288 General; a decrease of \$394 in Transportation; a decrease of \$2,775 in Adjusting Entries;
- Environmental services expenses increased \$8,463 primarily due to an increase of \$2,491 in General; an increase of \$1,706 in Local Works; an increase of \$522 in General Fund; an increase of \$4,093 in Adjusting Entries; offset by a decrease of \$48 in State Projects; a decrease of \$301 in Transportation;
- Neighborhood and business development expenses increased \$5,758 due to an increase of \$15 in General; an increase of \$8,989 in Adjusting Entries; offset by a decrease of \$1,497 in General; a decrease of \$2 in Other; a decrease of \$1,310 in Community Development; a decrease of \$310 in State Projects; a decrease of \$69 in Federal Projects; a decrease of \$58 in Economic Assistance;

The above increases which total \$37,199 were offset by the below decreases of \$1,799 as follows:

- Recreation and youth services expenses decreased \$1,526 primarily due to a decrease of \$265 in General; a decrease of \$6 in Other; a decrease of \$159 in Federal Projects; a decrease of \$197 in General Fund; a decrease of \$205 in Cultural/Recreation; a decrease of \$694 in Adjusting Entries;
- Library expenses decreased \$34 primarily due to a decrease of \$177 in Cultural/Recreation; a decrease of \$396 in Adjusting Entries; offset by an increase of \$305 in Library; an increase of \$234 in General Fund;
- Interest on long term debt expenses decreased \$240 primarily due to a decrease of \$153 in General; a decrease of \$7 in Library; a decrease of \$91 in Adjusting Entries; offset by an increase of \$12 in Local Works.

Expenses by Source - Governmental Activities



Business-type activities revenue highlights

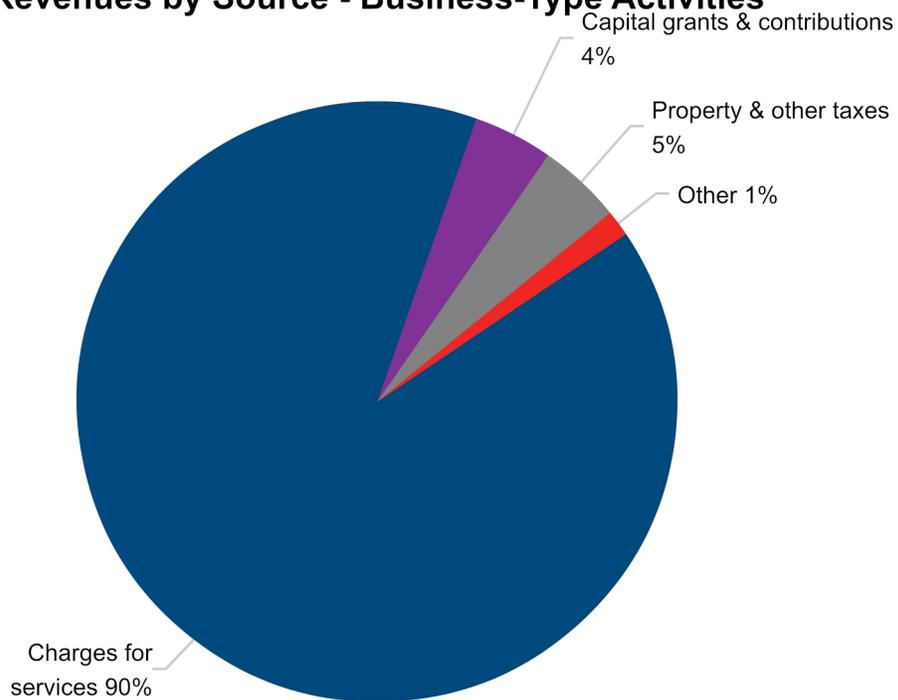
Revenues for business-type activities showed an overall increase of \$10,974.

- Charges for services increased by \$7,709 primarily due to an increase of \$63 in Cemetery; an increase of \$5,491 in Parking; an increase of \$527 in Refuse; an increase of \$1,785 in Water; offset by a decrease of \$95 in Public Market; a decrease of \$62 in War Memorial;
- Capital grants and contributions increased by \$2,668 primarily due to an increase of \$3,189 in Public Market; offset by a decrease of \$461 in Parking and a decrease of \$60 in Water;
- Property taxes increased by \$725 primarily due to an increase of \$857 in War Memorial; offset by a decrease of \$132 in Parking Admin;
- Governmental aid increased by \$54 due to an increase of \$51 in Water and an increase of \$3 in Parking;

The above revenue increases of \$11,156 were offset by the below decreases of \$182 in the following category:

- Operating grants and contributions decreased by \$11 due to a decrease of \$11 in Parking Admin;
- Other decreased by \$171.

Revenues by Source - Business-Type Activities



Business-type activities expense highlights.

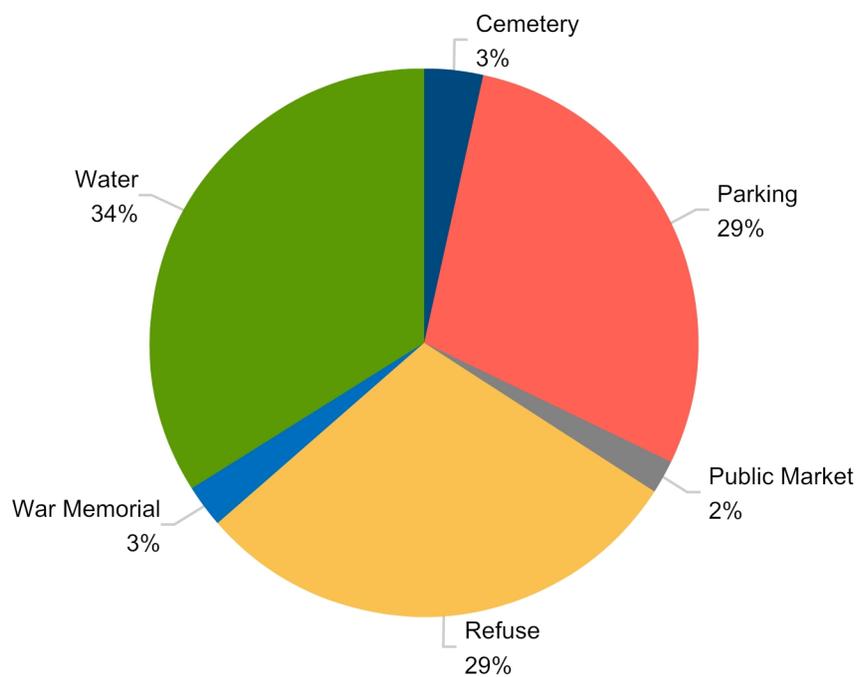
The net increase in business-type activities expenses were \$17,376:

- Water fund expenses increased by \$1,474;
- War memorial expenses increased by \$382;
- Parking fund expenses increased by \$13,642;
- Refuse expenses increased by \$1,010;
- Public market fund expenses increased by \$911

The above increases which total \$17,419 were partially offset by decreases of \$43 as follows:

- Cemetery fund expenses decreased by \$43

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 \$157,789, a decrease of \$19,960 in comparison with the prior year. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to \$14,488. The committed portion of fund balance is reported in the amount of \$87,943 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 \$67,962 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 (\$12,604) 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 \$37,029, unassigned fund balance was \$5,670, and total fund balance reached was \$90,534. Assigned and unassigned fund balance total to a combined amount of \$42,699. The fund balance of the City's general fund decreased \$2,910 in assigned fund balance and a decrease of \$2 in unassigned fund balance.

Debt service fund. The debt service fund has a total fund balance of \$20,868, of which \$4,606 is restricted and \$16,262 is assigned for the payment of debt service. The fund balance decreased by \$3,386 during the current fiscal year. The major factors contributing to the decrease was a decrease of \$3,668 in restricted fund balance and an increase of \$282 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 \$28,178, of this \$28,139 was committed and \$39 was assigned. The fund balance of the City's general capital projects fund decreased by \$14,989. The major factors contributing to the decrease was a decrease of \$14,466 in committed capital projects and a decrease of \$524 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 a decrease of \$8,759 in transportation capital projects because of a \$8,759 decrease 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 \$7,146. The fund balance increased by \$2,373. The major factors contributing to the increase was a \$646 decrease in restricted community development and an increase of \$3,019 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 \$211,224. The change in net position between 2016 and 2017, which totaled a decrease of \$10,260 consisted of the following: the Water fund increased by \$473, the Parking fund decreased by \$11,749, the War Memorial fund increased by \$885, the Refuse fund decreased by \$2,142, the Cemetery fund decreased by \$496, and the Public Market fund increased by \$2,769.

Unrestricted net position of the proprietary funds, which totaled \$2,084 at year end, breakdown as follows: Water — \$4,940, Parking — \$7,338, War Memorial — \$557, Refuse — (\$9,131), Cemetery — (\$939), and Public Market — (\$681).

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 \$40,978, an increase of \$1,688 from 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 Statement No. 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, 2017, amounted to \$1,031,865 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 24,519	\$ 24,930	\$ 10,539	\$ 11,091	\$ 35,058	\$ 36,021
Buildings	131,393	141,306	101,731	113,067	233,124	254,373
Machinery, equipment, and vehicles	35,734	48,504	11,573	152,201	47,307	200,705
Improvements other than buildings	57,737	35,005	152,285	5,843	210,022	40,848
Infrastructure	493,607	475,626	—	—	493,607	475,626
Construction in progress	6,499	5,847	6,248	6,035	12,747	11,882
Total	\$ 749,489	\$ 731,218	\$ 282,376	\$ 288,237	\$ 1,031,865	\$ 1,019,455

Long-term debt. On June 30, 2017 the City's outstanding debt was \$222,844. This was a decrease of \$9,281 from the prior year. A decrease of \$7,351 in the governmental activities funds and a decrease of \$1,930 in the business-type activities funds.

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

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 85,018	\$ 101,755	\$ 72,073	\$ 82,095	\$ 157,091	\$ 183,850
Bond anticipation notes	41,353	31,967	24,400	16,308	65,753	48,275
Total	\$ 126,371	\$ 133,722	\$ 96,473	\$ 98,403	\$ 222,844	\$ 232,125

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, an Aa3 rating from Moody's Investors Service and a AA- rating from Fitch Ratings.

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, 2017 (000's Omitted)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School District	Land Bank
ASSETS					
Cash and cash equivalents	\$ 179,438	\$ 62,565	\$ 242,003	\$ 119,497	\$ 410
Receivables (net of allowance for uncollectibles)					
Accounts	73,138	22,323	95,461	2,309	14
Taxes	11,326	—	11,326	—	—
Due from other governments	90,713	251	90,964	51,967	93
Due from component units	788	—	788	—	—
Inventory	—	—	—	693	—
Prepaid expense	—	—	—	1,186	—
Cash and cash equivalents - restricted	19,848	13,792	33,640	22,484	—
Due from other governments - restricted	—	6	6	—	—
Interfund balances	12,598	(12,598)	—	—	—
Capital assets (net of accumulated depreciation)					
Land	24,519	10,539	35,058	17,349	—
Buildings	131,393	101,731	233,124	521,841	—
Machinery, equipment, and vehicles	35,734	11,573	47,307	11,125	—
Improvements other than buildings	57,737	152,285	210,022	—	—
Infrastructure	493,607	—	493,607	—	—
Construction in progress	6,499	6,248	12,747	70,554	—
Total assets	<u>1,137,338</u>	<u>368,715</u>	<u>1,506,053</u>	<u>819,005</u>	<u>517</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflow	79,425	1,628	81,053	190,014	—
Deferred charge on refunding, net of amortization	—	—	—	1,703	—
Total deferred outflows of resources	<u>79,425</u>	<u>1,628</u>	<u>81,053</u>	<u>191,717</u>	<u>—</u>
LIABILITIES					
Accounts payable and other accrued liabilities	60,138	7,094	67,232	80,372	110
Retainages payable	877	—	877	1,232	—
Accrued interest payable	1,691	1,413	3,104	—	—
Bond anticipation notes payable	41,353	24,400	65,753	63,566	—
Due to other governments	29,828	715	30,543	2,838	—
Due to component units	577	—	577	—	—
Due to retirement systems	—	—	—	32,452	—
Unearned revenue	56,469	447	56,916	2,099	—
Noncurrent liabilities:					
Due within one year	20,888	11,189	32,077	49,803	—
Due in more than one year	578,517	111,133	689,650	689,954	—
Aggregate net pension liability	96,407	2,358	98,765	—	—
Total liabilities	<u>886,745</u>	<u>158,749</u>	<u>1,045,494</u>	<u>922,316</u>	<u>110</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflow	18,412	370	18,782	9,811	—
Total deferred inflows of resources	<u>18,412</u>	<u>370</u>	<u>18,782</u>	<u>9,811</u>	<u>—</u>
NET POSITION					
Net investment in capital assets	642,707	199,698	842,405	223,450	—
Restricted for:					
Capital projects	12,605	6,122	18,727	—	—
Debt service	20,868	3,320	24,188	5,573	—
Community development	7,146	—	7,146	—	—
Unrestricted (deficit)	(371,720)	2,084	(369,636)	(150,428)	407
Total net position	<u>\$ 311,606</u>	<u>\$ 211,224</u>	<u>\$ 522,830</u>	<u>\$ 78,595</u>	<u>\$ 407</u>

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, 2017 (000's Omitted)

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position										
	Expenses	Program Revenues			Primary Government			Component Units			
		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	\$ 177,758	\$ 80,035	\$ 7,029	\$ 14,094	\$ (76,600)	\$ —	\$ (76,600)	\$ —	\$ —		
Neighborhood business development	31,641	5,990	16,654	50	(8,947)	—	(8,947)	—	—		
Environmental services	50,473	20,687	528	1,913	(27,345)	—	(27,345)	—	—		
Transportation	24,743	1,392	856	21,489	(1,006)	—	(1,006)	—	—		
Emergency communications	25,752	17,269	—	—	(8,483)	—	(8,483)	—	—		
Police department	163,702	6,426	3,296	—	(153,980)	—	(153,979)	—	—		
Fire department	87,741	2,799	582	—	(84,360)	—	(84,360)	—	—		
Library	15,705	2,529	7,727	245	(5,204)	—	(5,205)	—	—		
Recreation and youth services	19,039	1,163	1,554	—	(16,322)	—	(16,322)	—	—		
Education	119,100	—	—	—	(119,100)	—	(119,100)	—	—		
Interest on long term debt	4,295	—	—	—	(4,295)	—	(4,295)	—	—		
Total governmental activities	<u>719,949</u>	<u>138,290</u>	<u>38,226</u>	<u>37,791</u>	<u>(505,642)</u>	<u>—</u>	<u>(505,642)</u>	<u>—</u>	<u>—</u>		
Business-type activities:											
Water	34,549	39,022	—	243	—	4,716	4,716	—	—		
Parking	29,238	17,033	—	—	—	(12,205)	(12,205)	—	—		
War Memorial	2,449	932	—	—	—	(1,517)	(1,517)	—	—		
Refuse	29,986	27,843	—	—	—	(2,143)	(2,143)	—	—		
Cemetery	3,522	1,531	—	—	—	(1,991)	(1,991)	—	—		
Public Market	2,012	724	—	3,917	—	2,629	2,629	—	—		
Total business-type activities	<u>101,756</u>	<u>87,085</u>	<u>—</u>	<u>4,160</u>	<u>—</u>	<u>(10,511)</u>	<u>(10,511)</u>	<u>—</u>	<u>—</u>		
Total primary government	<u>821,705</u>	<u>225,375</u>	<u>38,226</u>	<u>41,951</u>	<u>(505,642)</u>	<u>(10,511)</u>	<u>(516,153)</u>	<u>—</u>	<u>—</u>		
Component units:											
School District	\$ 873,959	\$ 2,540	\$ 118,232	\$ —				(753,187)	—		
Land Bank	1,828	—	1,031	—				—	(797)		
Total component units	<u>\$ 875,787</u>	<u>\$ 2,540</u>	<u>\$ 119,263</u>	<u>\$ —</u>				<u>(753,187)</u>	<u>(797)</u>		
General revenues:											
Property taxes					154,506	3,366	157,872	—	—		
Sales taxes					148,263	—	148,263	—	—		
Payment in-lieu of tax					12,367	—	12,367	—	—		
Other taxes					8,354	905	9,259	—	—		
Governmental aid - (unrestricted)					101,269	60	101,329	597,635	—		
Investment earnings					1,819	325	2,144	969	—		
Allocation to school district - (unrestricted)					—	—	—	119,100	—		
Miscellaneous					7,178	969	8,147	8,678	94		
Transfers					5,374	(5,374)	—	—	—		
Total general revenues and transfers					<u>439,130</u>	<u>251</u>	<u>439,381</u>	<u>726,382</u>	<u>94</u>		
Change in net position					(66,512)	(10,260)	(76,772)	(26,805)	(703)		
Net position - beginning					378,118	221,484	599,602	105,400	1,110		
Net position - ending					<u>311,606</u>	<u>211,224</u>	<u>522,830</u>	<u>78,595</u>	<u>407</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, 2017 (000's Omitted)

	General	Debt Service	Capital Projects		Special Revenue	Total Nonmajor Funds	Total Governmental Funds
			General	Transportation	Community Development		
ASSETS							
Cash and cash equivalents	\$ 65,991	\$ 14,662	\$ —	\$ —	\$ 9,833	41,163	\$ 131,649
Receivables (net of allowance for uncollectibles)							
Accounts	1,496	—	13	—	70,138	820	72,467
Taxes	11,200	—	—	—	—	246	11,446
Due from other funds	54,678	138	48,873	14,962	—	2,428	121,079
Due from other governments	45,885	—	30,057	61	345	3,616	79,964
Due from component units	767	—	21	—	—	—	788
Cash and cash equivalents - restricted	—	6,515	7,468	5,082	—	2,433	21,498
Total assets	<u>\$180,017</u>	<u>\$ 21,315</u>	<u>\$ 86,432</u>	<u>\$ 20,105</u>	<u>\$ 80,316</u>	<u>\$ 50,706</u>	<u>\$ 438,891</u>
LIABILITIES							
Accounts payable and other accrued liabilities	\$ 18,988	\$ —	\$ 7,205	\$ 4,520	\$ 1,476	1,634	\$ 33,823
Bond anticipation notes payable	—	—	17,039	22,855	—	1,459	41,353
Due to other funds	48,968	—	34,010	10,456	582	18,301	112,317
Due to other governments	10,240	—	—	—	19,067	522	29,829
Due to component units	129	447	—	—	—	1	577
Unearned revenue	11,158	—	—	—	52,045	—	63,203
Total liabilities	<u>89,483</u>	<u>447</u>	<u>58,254</u>	<u>37,831</u>	<u>73,170</u>	<u>21,917</u>	<u>281,102</u>
FUND BALANCES (DEFICIT)							
Restricted	—	4,606	—	—	3,241	6,641	14,488
Committed	47,835	—	28,139	—	3,905	8,064	87,943
Assigned	37,029	16,262	39	—	—	14,632	67,962
Unassigned	5,670	—	—	(17,726)	—	(548)	(12,604)
Total fund balances (deficit)	<u>90,534</u>	<u>20,868</u>	<u>28,178</u>	<u>(17,726)</u>	<u>7,146</u>	<u>28,789</u>	<u>157,789</u>
Total liabilities and fund balances	<u>\$180,017</u>	<u>\$ 21,315</u>	<u>\$ 86,432</u>	<u>\$ 20,105</u>	<u>\$ 80,316</u>	<u>\$ 50,706</u>	<u>\$ 438,891</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, 2017 (000's Omitted)

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

Total fund balances of governmental funds	157,789
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	749,489
Accrual of property and sales taxes to qualify as financial resources	17,362
Internal service funds are used by management to charge the cost of risk management and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	40,978
Accrual of interest on bonds and notes payable	(1,691)
Accrual of Medicare Part D revenue	672
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(76,328)
Premium liability	(8,690)
Compensated absences	(17,315)
Workers' compensation	(15,808)
OPEB liability	(486,055)
NYS Canal lease liability	(182)
Pollution remediation liability	(5,871)
Pension amortization liability	(6,469)
Net pension liability	(30,617)
Net deferred inflows and outflows	(5,658)
Net position of governmental activities	<u>\$ 311,606</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, 2017 (000's Omitted)**

			Capital Projects		Special Revenue	Total Nonmajor Funds	Total Governmental Funds
	General	Debt Service	General	Transportation	Community Development		
REVENUES							
Real property tax	\$ 150,430	—	—	—	—	7,913	\$ 158,343
Sales tax	147,978	—	—	—	—	—	147,978
Other taxes	20,721	—	—	—	—	—	20,721
Departmental	25,550	—	—	—	—	22,605	48,155
Use of money and property	246	750	—	—	—	5	1,001
Licenses and permits	3,420	—	—	—	—	—	3,420
Federal aid	1,571	—	15,985	6,161	10,931	2,557	37,205
State aid	107,008	—	9,708	5,057	—	1,960	123,733
Local sources and other	23,538	75	689	1,150	5,453	9,904	40,809
Total revenues	<u>480,462</u>	<u>825</u>	<u>26,382</u>	<u>12,368</u>	<u>16,384</u>	<u>44,944</u>	<u>581,365</u>
EXPENDITURES							
Current:							
General government	137,611	95	23,746	—	141	7,559	169,152
Neighborhood business development	6,816	—	71	—	14,395	825	22,107
Environmental services	21,590	—	812	20	—	11,581	34,003
Transportation	4,379	—	18,348	8,284	—	129	31,140
Emergency communications	13,443	—	—	—	—	—	13,443
Police department	91,672	—	113	—	—	2,170	93,955
Fire department	49,371	—	174	—	—	316	49,861
Library	—	—	252	—	—	12,509	12,761
Recreation and youth services	9,673	—	45	—	—	1,313	11,031
Education	119,100	—	—	—	—	—	119,100
Debt service:							
Principal retirement	15,393	—	—	—	—	500	15,893
Interest	4,216	—	—	—	—	184	4,400
Administrative charges	5	9	—	—	—	—	14
Capital outlay:							
General government	—	—	16,077	3,373	—	—	19,450
Neighborhood business development	—	—	—	—	—	19	19
Environmental services	—	—	131	—	—	—	131
Transportation	—	—	6	9,559	—	—	9,565
Library	—	—	—	—	—	245	245
Recreation and youth services	—	—	—	—	—	452	452
Total expenditures	<u>473,269</u>	<u>104</u>	<u>59,775</u>	<u>21,236</u>	<u>14,536</u>	<u>37,802</u>	<u>606,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,193</u>	<u>721</u>	<u>(33,393)</u>	<u>(8,868)</u>	<u>1,848</u>	<u>7,142</u>	<u>(25,357)</u>
OTHER FINANCING SOURCES (USES)							
Payment to refunding bond escrow agent	—	(1,490)	—	—	—	—	(1,490)
Premium on refunding bond issued	—	170	—	—	—	—	170
Issuance of debt	—	1,424	—	—	—	—	1,424
Transfers in	18,887	675	19,580	4,950	525	493	45,110
Transfers out	(22,793)	(4,885)	(1,176)	(4,841)	—	(6,121)	(39,816)
Total other financing sources (uses)	<u>(3,906)</u>	<u>(4,106)</u>	<u>18,404</u>	<u>109</u>	<u>525</u>	<u>(5,628)</u>	<u>5,398</u>
Net change in fund balances	3,287	(3,385)	(14,989)	(8,759)	2,373	1,514	(19,959)
Fund balances (deficit) - beginning	87,247	24,253	43,167	(8,967)	4,773	27,275	177,748
Fund balances (deficit) - ending	<u>\$ 90,534</u>	<u>\$ 20,868</u>	<u>\$ 28,178</u>	<u>\$ (17,726)</u>	<u>\$ 7,146</u>	<u>\$ 28,789</u>	<u>\$ 157,789</u>

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, 2017 (000's Omitted)

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

Net change in fund balances - total governmental funds	\$ (19,959)
Change in net position of internal service fund reported in governmental activities	1,688
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Governmental funds report capital outlays of \$47,993 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 \$29,723. This is the amount by which capital outlays exceeded depreciation in the current period.	18,270
Change in accrual of interest payable on notes and bonds payable	104
Change in accrual of unrestricted governmental aid	(122)
Change in accrual of property tax	(3,837)
Change in accrual of sales tax	285
Change in pollution remediation liability	1,122

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	15,959
Premium liability	777

OPEB expense is not reported in the governmental funds. (64,045)

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	(787)
Compensated absences	(84)
Retirement amortization	949
Net pension expense and net deferred outflow and inflows	(16,923)

Change in net position of governmental activities	<u><u>\$ (66,512)</u></u>
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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, 2017 (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	27,766	\$ 10,549	\$ 1,528	\$ 18,755	\$ 2,496	\$ 1,471	62,565	\$ 46,140	
Receivables (net of allowance for uncollectibles)	13,263	4,802	783	3,026	443	6	22,323	—	
Due from other funds	191	257	—	643	102	1	1,194	4,073	
Due from other governments	—	—	226	25	—	—	251	—	
Cash and equivalents - restricted	8,831	3,643	43	161	183	931	13,792	—	
Due from other governments - restricted	6	—	—	—	—	—	6	—	
Total current assets	50,057	19,251	2,580	22,610	3,224	2,409	100,131	50,213	
Noncurrent assets:									
Capital assets:									
Land	572	8,916	165	30	139	717	10,539	—	
Buildings	45,996	110,035	45,763	508	7,579	8,708	218,589	—	
Machinery, equipment, and vehicles	7,780	3,209	6,651	22,633	1,854	207	42,334	—	
Improvements other than buildings	285,306	2,054	60	671	4,050	3,186	295,327	—	
Construction in progress	165	3,664	8	—	300	2,111	6,248	—	
Less accumulated depreciation	(166,834)	(71,397)	(27,893)	(16,638)	(4,649)	(3,250)	(290,661)	—	
Total noncurrent assets	172,985	56,481	24,754	7,204	9,273	11,679	282,376	—	
Total assets	223,042	75,732	27,334	29,814	12,497	14,088	382,507	50,213	
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows of resources - pension	703	208	—	619	71	27	1,628	—	
Total deferred outflows of resources	703	208	—	619	71	27	1,628	—	
Total assets and deferred outflows of resources	\$ 223,745	\$ 75,940	\$ 27,334	\$ 30,433	\$ 12,568	\$ 14,115	\$ 384,135	\$ 50,213	
LIABILITIES									
Current liabilities:									
Accounts payable and other accrued liabilities	\$ 2,229	\$ 1,323	\$ 50	\$ 1,943	\$ 164	\$ 1,385	\$ 7,094	\$ 8,998	
Accrued interest payable	872	341	125	—	13	62	1,413	—	
Workers' compensation, current portion	420	29	—	1,252	12	3	1,716	—	
Bond anticipation notes payable	12,247	8,388	200	—	—	3,565	24,400	—	
Bonds payable	6,249	2,245	883	—	96	—	9,473	—	
Due to other funds	8,781	1,389	244	2,833	438	107	13,792	237	
Due to other governments	317	83	—	275	28	12	715	—	
Unearned revenue	—	73	—	—	374	—	447	—	
Total current liabilities	31,115	13,871	1,502	6,303	1,125	5,134	59,050	9,235	
Noncurrent liabilities:									
Workers' compensation	1,261	88	—	3,755	35	8	5,147	—	
Bonds payable	41,904	12,026	7,936	—	734	—	62,600	—	
Due to other governments	326	85	—	275	34	13	733	—	
OPEB liability	19,111	3,993	—	17,203	1,843	503	42,653	—	
Aggregate net pension liability	1,013	289	—	904	113	39	2,358	—	
Total noncurrent liabilities	63,615	16,481	7,936	22,137	2,759	563	113,491	—	
Total liabilities	94,730	30,352	9,438	28,440	3,884	5,697	172,541	9,235	
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows of resources - pension	162	45	—	141	16	6	370	—	
Total deferred inflows of resources	162	45	—	141	16	6	370	—	
NET POSITION									
Net investment in capital assets	\$ 121,417	\$ 37,465	\$ 15,780	\$ 7,365	\$ 8,627	\$ 9,045	\$ 199,699	\$ —	
Restricted for:									
Capital projects	—	—	1,553	3,618	951	—	6,122	—	
Debt service	2,496	740	6	—	29	48	3,319	—	
Health insurance	—	—	—	—	—	—	—	23,639	
Unrestricted (deficit)	4,940	7,338	557	(9,131)	(939)	(681)	2,084	17,339	
Total net position	128,853	45,543	17,896	1,852	8,668	8,412	211,224	40,978	
Total liabilities, deferred inflows of resources and net position	\$ 223,745	\$ 75,940	\$ 27,334	\$ 30,433	\$ 12,568	\$ 14,115	\$ 384,135	\$ 50,213	

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, 2017 (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	\$ 39,022	\$ 17,033	\$ 932	\$ 27,843	\$ 1,531	\$ 724	\$ 87,085	\$ 67,994
Total operating revenues	<u>39,022</u>	<u>17,033</u>	<u>932</u>	<u>27,843</u>	<u>1,531</u>	<u>724</u>	<u>87,085</u>	<u>67,994</u>
OPERATING EXPENSES								
Personal services	7,032	1,947	—	6,778	1,113	278	17,148	—
Supplies and materials	10,531	12,195	961	14,255	993	1,310	40,245	—
Employee benefits	7,501	1,913	48	7,798	850	150	18,260	—
Claims settlement	—	—	—	—	—	—	—	66,394
Depreciation	7,657	3,830	967	1,155	542	209	14,360	—
Total operating expenses	<u>32,721</u>	<u>19,885</u>	<u>1,976</u>	<u>29,986</u>	<u>3,498</u>	<u>1,947</u>	<u>90,013</u>	<u>66,394</u>
Operating income (loss)	<u>6,301</u>	<u>(2,852)</u>	<u>(1,044)</u>	<u>(2,143)</u>	<u>(1,967)</u>	<u>(1,223)</u>	<u>(2,928)</u>	<u>1,600</u>
NONOPERATING REVENUES (EXPENSES)								
Real property tax	—	290	1,495	—	1,490	91	3,366	—
Other taxes	—	—	905	—	—	—	905	—
Interest and penalties	912	54	—	—	3	—	969	—
Interest on investments	161	110	2	1	2	49	325	8
Federal aid	3	2	—	—	—	—	5	—
State aid	53	—	—	—	—	—	53	—
Local sources and other	2	—	—	—	—	—	2	—
Interest expense	(1,819)	(826)	(473)	—	(24)	(65)	(3,207)	—
Bond issuance costs	(9)	—	—	—	—	—	(9)	—
Loss on sale of parking garage	—	(8,527)	—	—	—	—	(8,527)	—
Total nonoperating revenues (expenses)	<u>(697)</u>	<u>(8,897)</u>	<u>1,929</u>	<u>1</u>	<u>1,471</u>	<u>75</u>	<u>(6,118)</u>	<u>8</u>
Income(loss) before contributions and transfers	5,604	(11,749)	885	(2,142)	(496)	(1,148)	(9,046)	1,608
Capital contributions	243	—	—	—	—	3,917	4,160	—
Transfers in	—	—	—	—	—	—	—	2,080
Transfers out	(5,374)	—	—	—	—	—	(5,374)	(2,000)
Change in net position	<u>473</u>	<u>(11,749)</u>	<u>885</u>	<u>(2,142)</u>	<u>(496)</u>	<u>2,769</u>	<u>(10,260)</u>	<u>1,688</u>
Net position - beginning	128,380	57,292	17,011	3,994	9,164	5,643	221,484	39,290
Net position - ending	<u>\$ 128,853</u>	<u>\$ 45,543</u>	<u>\$ 17,896</u>	<u>\$ 1,852</u>	<u>\$ 8,668</u>	<u>\$ 8,412</u>	<u>\$ 211,224</u>	<u>\$ 40,978</u>

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, 2017 (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	\$ 38,959	\$ 13,536	\$ 944	\$ 27,901	\$ 1,636	\$ 717	83,693	67,994
Payments to suppliers	(10,091)	(12,343)	(988)	(14,450)	(1,509)	(75)	(39,456)	(73,756)
Payments to employees	(12,315)	(3,029)	(48)	(12,509)	(1,726)	(345)	(29,972)	—
Net cash provided by (used for) operating activities	16,553	(1,836)	(92)	942	(1,599)	297	14,265	(5,762)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Real property taxes and other taxes	—	290	2,400	—	1,490	91	4,271	—
Transfers (to) from other funds	5,874	2,585	239	2,085	174	57	11,014	2,378
Operating grants	59	2	—	(25)	—	—	36	—
Net cash provided by noncapital financing activities	5,933	2,877	2,639	2,060	1,664	148	15,321	2,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sales of bonds and notes	3,234	1,955	—	—	—	3,307	8,496	—
Capital contributions	243	—	—	—	—	3,917	4,160	—
Capital grants	—	—	—	—	—	—	—	—
Principal paid on bonds and notes	(6,617)	(2,389)	(990)	—	(115)	—	(10,111)	—
Interest expense paid on bonds and notes	(2,081)	(896)	(490)	—	(37)	(5)	(3,509)	—
Acquisition and construction of capital assets	(5,303)	11,968	(262)	(6,637)	(1,112)	(7,150)	(8,496)	—
Proceeds from sale of fixed assets	—	(8,527)	—	—	—	—	(8,527)	—
Net cash provided by (used for) capital and related financing activities	(10,524)	2,111	(1,742)	(6,637)	(1,264)	69	(17,987)	—
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received from investments and customers	1,073	164	2	1	6	48	1,294	8
Net cash provided by investing activities	1,073	164	2	1	6	48	1,294	8
Net increase (decrease) in cash and cash equivalents	13,035	3,316	807	(3,634)	(1,193)	562	12,893	(3,376)
Cash and cash equivalents at beginning of year	23,562	10,876	764	22,550	3,872	1,840	63,464	49,516
Cash and cash equivalents at end of year	\$ 36,597	\$ 14,192	\$ 1,571	\$ 18,916	\$ 2,679	\$ 2,402	\$ 76,357	\$ 46,140
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	6,301	(2,852)	(1,044)	\$ (2,143)	(1,967)	(1,223)	(2,928)	1,600
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	7,657	3,830	967	1,155	542	209	14,360	—
(Increase) decrease in customer receivables	(63)	(3,497)	12	57	24	(6)	(3,473)	—
Increase (decrease) in accounts payable - supplier	440	(147)	(27)	(195)	(435)	1,252	888	(7,362)
Increase (decrease) in compensated absences	(15)	—	—	42	2	4	33	—
Increase (decrease) in salaries & benefits payable	2,233	830	—	2,026	235	61	5,385	—
Total adjustments	10,252	1,016	952	3,085	368	1,520	17,193	(7,362)
Net cash provided by (used for) operating activities	16,553	(1,836)	(92)	942	(1,599)	297	14,265	(5,762)

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017 (000's Omitted)**

	<u>Private-purpose Trust funds</u>	<u>Agency funds</u>
ASSETS		
Cash and cash equivalents	\$ 471	\$ 13,041
Investments	2,775	—
Receivables (net of allowance for uncollectibles)	—	348
Total assets	<u>3,246</u>	<u>13,389</u>
LIABILITIES		
Accounts payable and other accrued liabilities	<u>12</u>	<u>13,389</u>
Total liabilities	<u>12</u>	<u>\$ 13,389</u>
NET POSITION		
Net position held in trust and other purposes	<u>\$ 3,234</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, 2017 (000's Omitted)**

	<u>Private-purpose Trust funds</u>
ADDITIONS	
Contribution	\$ 197
Net investment earnings	211
Total additions	<u>408</u>
DEDUCTIONS	
Community services	398
Total deductions	<u>398</u>
Change in net position	10
Net position - beginning	3,224
Net position - ending	<u><u>\$ 3,234</u></u>

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, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*; and Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. This Statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

The primary objective of Statement No. 77 is for state and local governments to disclose key information about tax abatement agreements and to make the financial impact of these transactions transparent.

The primary objective of Statement No. 78 is to address an issue that arose during the implementation of Statement No. 68. The issue was the ability of state and local governmental employers to obtain necessary information related to pensions that are provided through certain multiple-employer defined benefit pension plans.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. Statement No. 80 also amends the blending requirements established in paragraph 53 of Statement No. 14.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to Statement No. 67, No. 68, No. 73, and amendments to certain provisions of GASB Statements No. 67 and No. 68. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The City has evaluated Statements No. 74, 78, 80 and 82 and have determined that they have no impact on the City's operations.

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. 81, *Irrevocable Split-Interest Agreements*, which will be effective June 30, 2018.
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019.
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020.
- Statement No. 85, *Omnibus*, which will be effective for the year ending June 30, 2018.
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending June 30, 2018.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.

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

E. USE OF ESTIMATES

The preparation of financial statements in accordance 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, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/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, 2017, the City had a legal margin of \$35,906,000.

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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

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 period(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 \$11,158,000 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days, \$52,045,000 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, 2017, \$374,000 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.

The District received cash in advance of expenditures in the amount of \$4,270 in the General fund at June 30, 2017 for lease prepayments associated with the utilization of the Pleasant Street parking lot. The District also received cash in advance of expenditures in the amount of \$2,095,000 for Special Aid fund projects during fiscal year 2016-17. These funds represent receipts for various grants that were not fully spent as of June 30, 2017. As the funds are spent during fiscal year 2017-18, revenue will be recorded.

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, 2017, the liability for Governmental Activities was \$17,315,000 and \$1,147,000 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 \$5,295,000 at year end. These were substantially for environmental services purposes including \$1,126,000 for utilities, maintenance, fuel and security systems and general government purposes were \$2,663,000 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 Schedule 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 \$1,555,700. Estimated revenues increased by \$1,138,200, transfers to other funds increased by \$3,429,000 and transfers from other funds increased by \$735,100. 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 \$254,002,000 and the bank balance was \$253,055,000. 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 \$77,570,000. 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 \$36,100,000; money markets at fair value of \$36,100,000. 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 \$65,269,000. 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

In accordance with 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 \$2,775,000 of Library trust funds invested. The Library's investments were measured at fair value on a recurring basis at June 30, 2017 and were all considered Level 1:

Cash and cash equivalent	\$ 74,000
Common stocks:	
Consumer discretionary	98,000
Consumer staples	111,000
Energy	23,000
Financial	74,000
Healthcare & pharmaceuticals	272,000
Industrials	122,000
Technology	236,000
Materials	48,000
Real estate	8,000
Telecommunications	<u>18,000</u>
Total common stocks	1,010,000
Mutual funds:	
Equity income	285,000
Real estate	<u>178,000</u>
Total mutual funds	463,000
Governmental bonds:	
Mortgage notes	337,000
U. S. Treasury	<u>343,000</u>
Total government bonds	680,000
Corporate bonds:	
Financial/investment	<u>548,000</u>
Total corporate bonds	<u>548,000</u>
Total	<u><u>\$ 2,775,000</u></u>

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

B. RECEIVABLES AND PAYABLES

The Primary Government had \$95,461 in accounts receivable at year-end. A significant receivable in the governmental activities was \$70,138 in economic development and housing loans made from the Community Development Special Revenue Fund. Significant business-type receivables were \$13,263 in the Water Fund, \$3,026 in the Refuse Fund, \$783 in the War Memorial Fund, \$443 in the Cemetery Fund and \$4,802 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 (\$12,344), Water Fund (\$2,055) and Refuse Fund (\$3,783).

The amount due from other governments to the City, as presented in the governmental fund level statements as of June 30, 2017, was \$79,964. This was comprised of the following items: \$14,343 from New York State, \$46,793 from Monroe County, \$1,068 from the Federal Government, and \$17,760 from others.

The amount due from other governments and the primary government to the School District as of June 30, 2017 was \$51,967. This was comprised of the following items: \$36,043 from New York State, \$8,864 from the Federal Government and \$7,060 from other sources.

The Primary Government had \$67,232 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 \$80,372 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, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 24,930	\$ —	\$ 411	\$ 24,519
Construction in progress	5,847	9,210	8,558	6,499
Total capital assets, not being depreciated	30,777	9,210	8,969	31,018
Capital assets, being depreciated:				
Buildings	254,637	4,843	8,413	251,067
Improvements other than buildings	75,537	12,498	72	87,963
Machinery, equipment, and vehicles	113,490	13,190	10,378	116,302
Infrastructure	646,244	31,681	2,646	675,279
Total capital assets being depreciated	1,089,908	62,212	21,509	1,130,611
Less accumulated depreciation for:				
Buildings	113,331	6,901	558	119,674
Improvements other than buildings	27,033	2,829	(364)	30,226
Machinery, equipment, and vehicles	78,485	8,330	6,247	80,568
Infrastructure	170,618	11,663	609	181,672
Total accumulated depreciation	389,467	29,723	7,050	412,140
Total capital assets, being depreciated, net:	700,441	32,489	14,459	718,471
Governmental activities capital assets, net:	\$ 731,218	\$ 41,699	\$ 23,428	\$ 749,489

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

Class	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 11,091	\$ —	\$ 552	\$ 10,539
Construction in progress	6,036	9,335	9,123	6,248
Total capital assets, not being depreciated	<u>17,127</u>	<u>9,335</u>	<u>9,675</u>	<u>16,787</u>
Capital assets, being depreciated:				
Buildings	247,009	6,950	35,370	218,589
Improvements other than buildings	288,960	6,629	262	295,327
Machinery, equipment, and vehicles	35,681	8,085	1,432	42,334
Total capital assets being depreciated	<u>571,650</u>	<u>21,664</u>	<u>37,064</u>	<u>556,250</u>
Less accumulated depreciation for:				
Buildings	133,943	5,796	22,881	116,858
Improvements other than buildings	136,758	6,426	142	143,042
Machinery, equipment, and vehicles	29,839	2,138	1,216	30,761
Total accumulated depreciation	<u>300,540</u>	<u>14,360</u>	<u>24,239</u>	<u>290,661</u>
Total capital assets, being depreciated, net:	<u>271,110</u>	<u>7,304</u>	<u>12,825</u>	<u>265,589</u>
Business-type activities capital assets, net:	<u>\$ 288,237</u>	<u>\$ 16,639</u>	<u>\$ 22,500</u>	<u>\$ 282,376</u>

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

Governmental activities:

General Government	\$ 4,841
Police	2,546
Fire	1,723
Emergency Communications	246
Transportation	11,663
Environmental Services	3,869
Recreation & Youth Services	2,045
Library	970
Neighborhood & Business Development (NBD)	1,820
Total depreciation expense - governmental activities	<u>\$ 29,723</u>

Business-type activities:

Water	\$ 7,657
Parking	3,830
War Memorial	967
Refuse	1,155
Cemetery	542
Public market	209
Total depreciation expense - business-type activities	<u>\$ 14,360</u>
Total depreciation - Primary Government	<u><u>\$ 44,083</u></u>

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

Class	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 17,349	\$ —	\$ —	\$ 17,349
Construction in progress	62,727	59,502	51,675	70,554
Total capital assets, not being depreciated	<u>80,076</u>	<u>59,502</u>	<u>51,675</u>	<u>87,903</u>
Capital assets, being depreciated:				
Buildings and improvements	810,136	48,479	2,147	856,468
Equipment and other	55,554	3,344	3,674	55,224
Total capital assets being depreciated	<u>865,690</u>	<u>51,823</u>	<u>5,821</u>	<u>911,692</u>
Less accumulated depreciation for:				
Buildings and improvements	307,532	28,713	1,619	334,626
Equipment and other	43,739	4,004	3,643	44,100
Total accumulated depreciation	<u>351,271</u>	<u>32,717</u>	<u>5,262</u>	<u>378,726</u>
Total capital assets, being depreciated, net:	<u>514,419</u>	<u>19,106</u>	<u>559</u>	<u>532,966</u>
School District Capital Assets, net:	<u>\$ 594,495</u>	<u>\$ 78,608</u>	<u>\$ 52,234</u>	<u>\$ 620,869</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, 2017:

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

	<u>Balance July 1, 2016</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bond Anticipation Notes					
Public improvement	\$ 30,259	\$ 9,564	\$ (1,770)	\$ 38,053	\$ 38,053
Library	238	70	(6)	302	302
Local Works	1,470	1,618	(90)	2,998	2,998
Total Bond Anticipation Notes	<u>\$ 31,967</u>	<u>\$ 11,252</u>	<u>\$ (1,866)</u>	<u>\$ 41,353</u>	<u>\$ 41,353</u>

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

	<u>Balance July 1, 2016</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bond Anticipation Notes					
Water	\$ 9,206	\$ 3,234	\$ (193)	\$ 12,247	\$ 12,247
War Memorial	250	—	(50)	200	200
Parking	6,594	1,955	(161)	8,388	8,388
Public Market	258	3,307	—	3,565	3,565
Total Bond Anticipation Notes	<u>\$ 16,308</u>	<u>\$ 8,496</u>	<u>\$ (404)</u>	<u>\$ 24,400</u>	<u>\$ 24,400</u>

As of June 30, 2017, the City had two Bond Anticipation Notes, one for \$56,924,000 at 2.00% maturing August 4, 2017 and one for \$40,395,000 at 2.25% maturing March 13, 2018. Also, the RJSCB had a Bond Anticipation Note for \$32,000,000 at 2.00% maturing August 4, 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, 2017:

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

	<u>Balance July 1, 2016</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Reductions</u>	<u>Balance June 30, 2017</u>
Bond Anticipation Notes				
Rochester City School District	\$ 18,000	\$ 14,001	\$ (435)	\$ 31,566
JSCB	—	32,000	—	32,000
Total Bond Anticipation Notes	<u>\$ 18,000</u>	<u>\$ 46,001</u>	<u>\$ (435)</u>	<u>\$ 63,566</u>

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2017:

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

	Balance July 1, 2016	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds					
Public improvement	\$ 88,037	\$ 1,366	\$ (16,542)	\$ 72,861	\$ 15,206
Sewer	635	58	(341)	352	182
Library	1,125	—	(240)	885	245
Local Works	2,490	—	(260)	2,230	260
Premium	9,467	18	(795)	8,690	952
Total General Obligation Bonds	<u>101,754</u>	<u>1,442</u>	<u>(18,178)</u>	<u>85,018</u>	<u>16,845</u>
Other Noncurrent Liabilities					
NYS Canal Corp. Lease	273	—	(91)	182	91
Workers' Compensation	15,021	4,389	(3,602)	15,808	3,952
Pollution Remediation	6,993	1,402	(2,524)	5,871	—
OPEB Liability	422,012	91,330	(27,285)	486,057	—
Due to Other Governments - Pension Amortization	7,418*	—	(949)	6,469*	—
Total Other Noncurrent Liabilities	<u>451,717</u>	<u>97,121</u>	<u>(34,451)</u>	<u>514,387</u>	<u>4,043</u>
TOTAL NONCURRENT LIABILITIES	<u>\$ 553,471</u>	<u>\$ 98,563</u>	<u>\$ (52,629)</u>	<u>\$ 599,405</u>	<u>\$ 20,888</u>

*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, 2016	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017	Due Within One Year
General Obligation Bonds					
Water	\$ 50,800	\$ 1,504	\$ (7,928)	\$ 44,376	\$ 5,850
Parking	15,703	—	(2,228)	13,475	2,170
War Memorial	9,726	—	(940)	8,786	880
Cemeteries	860	—	(115)	745	85
Premium	5,007	107	(423)	4,691	488
Total General Obligation Bonds	<u>82,096</u>	<u>1,611</u>	<u>(11,634)</u>	<u>72,073</u>	<u>9,473</u>
Other Noncurrent Liabilities					
Workers' Compensation	7,650	1,069	(1,856)	6,863	1,716
OPEB Liability	36,595	7,521	(1,463)	42,653	—
Due to Other Governments - Pension Amortization	839*	—	(106)	733*	—
Total Other Noncurrent Liabilities	<u>45,084</u>	<u>8,590</u>	<u>(3,425)</u>	<u>50,249</u>	<u>1,716</u>
TOTAL NONCURRENT LIABILITIES	<u>\$ 127,180</u>	<u>\$ 10,201</u>	<u>\$ (15,059)</u>	<u>\$ 122,322</u>	<u>\$ 11,189</u>

*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, 2017:

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

	Balance July 1, 2016	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2017	Due Within One Year
General Obligation and Revenue Bonds					
General Fund	\$ 139,270	\$ 17,271	\$ (38,521)	\$ 118,020	\$ 18,984
RJSCB School Facility Revenue Bonds	245,880	—	(14,295)	231,585	15,025
Premium	37,480	2,049	(3,205)	36,324	3,205
TOTAL GENERAL OBLIGATION AND REVENUE BONDS	422,630	19,320	(56,021)	385,929	37,214
Other Noncurrent Liabilities					
OPEB Liability	230,579	47,306	(21,606)	256,279	—
NYS Lottery Advance	12,667	—	(667)	12,000	667
NYS Teachers' Retirement Pension	14,366	450	(2,218)	12,598	2,350
NYS Employees' Retirement Pension	5,329	—	(501)	4,828	517
Claims Payable	24,210	5,208	(4,347)	25,071	5,511
Compensated Absences	1,668	7,242	(6,083)	2,827	2,827
Installment Purchase Debt	4,010	—	(2,852)	1,158	717
Total Other Noncurrent Liabilities	292,829	60,206	(38,274)	314,761	12,589
TOTAL NONCURRENT LIABILITIES	\$ 715,459	\$ 79,526	\$ (94,295)	\$ 700,690	\$ 49,803

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.

On August 4, 2016, the City of Rochester issued \$20,200,000 in general obligation bonds of which \$2,928,600 were issued on behalf of the City and \$17,271,400 were issued on behalf of the District, with an average interest rate of 1.07% to refund \$21,680,000 of outstanding 2006A and 2006B Series bonds of which \$3,060,000 were refunded on behalf of the City and \$18,620,000 were refunded on behalf of the District.

The 2006A Series was an advance refunding of \$17,490,000 of which \$1,825,000 was on behalf of the City and \$15,665,000 was on behalf of the District with an average interest rate of 3.93%.

The 2006B Series was a current refunding of \$4,190,000 of which \$1,235,000 was on behalf of the City and \$2,955,000 was on behalf of the District with an average interest rate of 3.72%.

The net proceeds of \$22,424,110 (after payment of \$161,208 in underwriting fees, insurance and other issuance costs), of which the City's share of net proceeds is \$3,241,443 (after payment of \$23,423 in underwriting fees, insurance and other issuance costs) and the District's share of net proceeds is \$19,182,667 (after payment of \$137,785 in underwriting fees, insurance and other issuance costs), were used to purchase United States government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the City's and the District's financial statements. The City and the District refunded the bonds to take advantage of interest rates that were at an unprecedented low. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) of the total debt is \$2,147,252, of which the City's share is \$310,906 (\$195,108 for Series 2006A and \$115,798 for Series 2006B), and the District's share is \$1,836,346 (\$1,578,600 for Series 2006A and \$257,746 for Series 2006B).

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	
2018	\$ 14,426	\$ 3,111	\$ 8,985	\$ 2,874	\$ 18,984	\$ 4,797	\$ 53,177
2019	12,908	2,437	8,851	2,448	17,836	3,954	48,434
2020	9,589	1,873	8,555	2,035	17,131	3,144	42,327
2021	7,775	1,448	8,220	1,635	15,700	2,361	37,139
2022	6,640	1,108	6,470	1,266	11,715	1,683	28,882
2023-2027	21,090	2,140	23,370	2,723	29,520	3,331	82,174
2028-2032	3,900	210	2,931	113	7,134	364	14,652
Total	<u>\$ 76,328</u>	<u>\$ 12,327</u>	<u>\$ 67,382</u>	<u>\$ 13,094</u>	<u>\$ 118,020</u>	<u>\$ 19,634</u>	<u>\$ 306,785</u>

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

Outstanding Bond Issues - June 30, 2017

Issue	Rate(%)	Principal Balance	Final Maturity	Original Balance	Capital Project Fund Categories
General Obligation-1994, Series A	5.000	\$ 1,890,000	08/15/22	\$63,577,000	G,L,P,R,S,W,Sch
General Obligation-1996, Series A	5.000	245,000	09/15/23	70,690,000	G,L,P,S,W,Sch
General Obligation-1996, Series B (Taxable)	6.750	2,560,000	09/15/24	9,380,000	Parking only
General Obligation Serial Bonds-1997	5.000	2,665,000	10/01/25	55,960,000	G,L,P,S,W,Sch
General Obligation Serial Bonds-1999	5.250	7,275,000	10/01/26	69,575,000	G,W,S,L,WM,Sch
General Obligation Serial Bonds-2001, Series A	4.500	495,000	10/15/27	29,275,000	G,L,S,W,Sch
General Obligation Serial Bonds-2001, Series B	5.000	1,260,000	02/15/28	35,350,000	G,S,PM,WM,W,Sch
General Obligation Serial Bonds-2008, Series A	3.750	2,715,000	02/01/22	19,005,000	G,S,W,P
General Obligation Serial Bonds-2008, Series B	3.500	9,340,000	10/01/26	39,220,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C1	5.110	27,835,000	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	5.000	38,775,000	08/15/27	66,943,000	G,S,L,W,P,Sch
General Obligation Serial Bonds-2012, Series II	2.500	1,030,000	08/15/19	5,655,000	School only
General Obligation Serial Bonds-2012, Series III	4.000	4,710,000	02/15/25	9,640,000	School only
General Obligation Serial Bonds-2012, Series IV	4.000	10,535,000	10/15/31	14,655,000	G,S,W,Sch
General Obligation Serial Bonds-2012, Series V	4.000	11,570,000	02/15/31	19,390,000	G,S,W,P,Sch
General Obligation Serial Bonds-2013, Series I	4.000	21,705,000	02/01/25	29,150,000	G,LW,P,C
General Obligation Serial Bonds-2013, Series II	5.000	39,230,000	02/01/29	67,470,000	G,W,P,Sch
General Obligation Serial Bonds-2015, Series I	5.000	52,750,000	08/01/30	59,620,000	G,L,W,WM,P,Sch
General Obligation Serial Bonds-2016, Series I	4.000	20,100,000	10/15/24	20,200,000	G,S,W,Sch
Total		\$ 261,730,000			

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, 2017 amounted to \$56,037,000. The debt-contracting margin of the City as of June 30, 2017, was \$250,546,000.

The City is in compliance with Internal Revenue Service regulations regarding arbitrage restrictions on tax-exempt bonds. No arbitrage rebate payments were due or made during fiscal 2017.

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 \$1,402,000 and spent \$2,524,000 in pollution remediation obligation related activities. At June 30, 2017, the City had an outstanding pollution remediation liability of \$5,871,000.

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, 2017, capital assets with an acquisition cost of \$2,889,500 and a net book value of \$2,446,832 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, 2017, the accrued lease liability (net of receivables from a sublease) was \$182,000. 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, 2017, 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, 2017.

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

As of June 30, 2017, governmental fund balances were classified as follows (000's omitted):

			Capital Projects		Special Revenue	Nonmajor Governmental	Total Governmental Funds
	General	Debt Service	General	Transportation	Community Development		
Restricted:							
Debt service	\$ —	\$ 4,606	\$ —	\$ —	\$ —	—	\$ 4,606
Community development	—	—	—	—	3,241	—	3,241
Federal projects	—	—	—	—	—	4,504	4,504
State projects	—	—	—	—	—	2,137	2,137
Committed:							
Retirement costs	23,429	—	—	—	—	—	23,429
Property tax relief	24,406	—	—	—	—	—	24,406
Capital projects	—	—	28,139	—	—	—	28,139
Federal block grant	—	—	—	—	3,905	—	3,905
Cemetery perpetual care	—	—	—	—	—	5,363	5,363
Economic development	—	—	—	—	—	2,701	2,701
Assigned:							
Open purchase orders and contracts:							
General government	2,663	—	—	—	—	—	2,663
Police	444	—	—	—	—	—	444
Fire	286	—	—	—	—	—	286
Emergency communications	161	—	—	—	—	—	161
Environmental services	1,126	—	—	—	—	—	1,126
Recreation & youth services	417	—	—	—	—	—	417
Neighborhood & business development	198	—	—	—	—	—	198
Subsequent year's expenditures	5,672	—	—	—	—	—	5,672
Retirement costs	4,500	—	—	—	—	—	4,500
Property tax relief	5,139	—	—	—	—	—	5,139
Postemployment benefits	7,923	—	—	—	—	—	7,923
Debt service	—	16,262	—	—	—	—	16,262
Capital projects	8,500	—	39	—	—	—	8,539
Animal control	—	—	—	—	—	270	270
Library	—	—	—	—	—	657	657
Local works	—	—	—	—	—	11,240	11,240
Downtown programs	—	—	—	—	—	2,465	2,465
Unassigned:							
Capital projects fund - Transportation	—	—	—	(17,726)	—	—	(17,726)
Capital projects fund - Cultural and Recreation	—	—	—	—	—	(548)	(548)
General fund	5,670	—	—	—	—	—	5,670
Totals	90,534	20,868	28,178	(17,726)	7,146	28,789	157,789

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, 2017, the amount of these liabilities was \$27,601,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2015 resulted from the following (000's Omitted):

	Workers' Compensation	General Liability	Total
Estimated claims June 30, 2015	\$ 21,623	\$ 7,445	\$ 29,068
Claims incurred 2015-16	6,638	5,770	12,408
Payments 2015-16	(5,590)	(7,764)	(13,354)
Estimated claims June 30, 2016	\$ 22,671	\$ 5,451	\$ 28,122
Claims incurred 2016-17	4,885	514	5,399
Payments 2016-17	(4,886)	(1,034)	(5,920)
Estimated claims June 30, 2017	\$ 22,670	\$ 4,931	\$ 27,601

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, 2017 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 2016-17 were expenditures from prior year claims.

	Workers' Compensation	Health Insurance	Total
Estimated claims June 30, 2015	\$ 5,476	\$ 3,898	\$ 9,374
Claims incurred 2015-16	5,189	75,219	80,408
Payments & reductions 2015-16	(4,860)	(74,971)	(79,831)
Estimated claims June 30, 2016	\$ 5,805	\$ 4,146	\$ 9,951
Claims incurred 2016-17	4,686	78,050	82,736
Payments & reductions 2016-17	(4,980)	(78,626)	(83,606)
Estimated claims June 30, 2017	\$ 5,511	\$ 3,570	\$ 9,081

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

The number of participants as of July 1, 2016, the effective date of the biannual OPEB valuation, follows:

	City	School District	Total
Active employees	2,973	5,479	8,452
Retired employees	3,198	3,777	6,975
Total	6,171	9,256	15,427

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, 2017, the City's annual OPEB cost (expense) of \$98,847,000 is not equal to the annual required contribution which is \$68,716,000. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$28,747,000 for retirees and their beneficiaries, the result was an increase in the Net OPEB Obligation of \$70,100,000 for the year ended June 30, 2017.

Considering the District's annual expense as well as the payment of current health insurance premiums, which totaled \$21,606,000, the result was an increase in the District's Net OPEB Obligation of \$25,700,000 for the year ended June 30, 2017.

Level Dollar Amortization (000's Omitted):

Calculation of ARC under Projected Unit Credit Method

	City	School District	Total
Annual required contribution (ARC)	\$ 68,717	\$ 46,786	\$ 115,503
Interest on Net OPEB Obligation	18,344	9,223	27,567
Adjustment to ARC	11,787	(8,703)	3,084
Annual OPEB cost (expense)	98,848	47,306	146,154
Contribution for fiscal year ended June 30, 2017	(28,746)	(21,606)	(50,352)
Increase in net OPEB obligation	70,102	25,700	95,802
Net OPEB obligation July 1, 2016	458,607	230,579	689,186
Net OPEB obligation June 30, 2017	<u>\$ 528,709</u>	<u>\$ 256,279</u>	<u>\$ 784,988</u>

The City's annual OPEB cost and contribution for year ended June 30, 2017 and the prior two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$98,847,174	\$28,747,448	29.53%	\$528,690,181
2016	\$94,159,128	\$27,801,776	29.53%	\$458,590,455
2015	\$67,769,762	\$26,306,412	38.82%	\$392,216,686

The District's annual OPEB cost and contribution for year ended June 30, 2017 and the prior two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$47,306,207	\$21,606,420	45.7%	\$256,279,110
2016	\$44,974,558	\$22,047,111	49.0%	\$230,579,323
2015	\$36,635,030	\$20,755,916	56.7%	\$207,651,876

Funded status and funding progress. As of the most recent valuation date of July 1, 2016, both the City's and District's OPEB plans were unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$875 million for the City and \$544.4 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 2016-17 who are eligible for postretirement benefits are \$203,765,787 for the City and \$307,748,163 for the District. The ratios of the unfunded actuarial accrued liability at June 30, 2017 to annual covered payroll for 2016-17 are 393% for the City and 177% 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, 2017. 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 September 26, 2016 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 2016, costs are treated as fixed for calendar year 2016.

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 \$672,000 for the City in fiscal year 2017, 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 2016-17, MRA claims totaling \$14,425 were paid by the District and at June 30, 2017 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, 2017, 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, 2017 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, 2017	March 31, 2017
Net Pension Asset/(Liability)	\$ (30,616,534)	\$ (68,149,135)
City's portion of the plan's total net pension liability	0.3258387%	3.2880163%
Change in proportionate share since prior measurement date	.0049035	.0204608

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

	ERS	TRS
Measurement Date	March 31, 2017	June 30, 2016
Net Pension Liability	\$ (21,374,772)	\$ (17,691,830)
District's portion of the Plan's total net pension liability	0.2274826%	1.651834%
Change in proportionate share since prior measurement date	0.0064784	(0.011791)

At year end June 30, 2017, the City recognized ERS pension expenses of \$17,700,099. 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	\$ 767,222	\$ 4,649,294
Changes of Assumptions	10,459,730	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	6,115,363	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	610,004	210,465
Total	\$ 17,952,319	\$ 4,859,759

The City's contributions subsequent to the measurement date for ERS amounted to \$3,353,000.

At year end June 30, 2017, the City recognized PFRS pension expenses of \$39,481,976. 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	\$ 8,939,992	\$ 11,774,661
Changes of Assumptions	33,574,213	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	10,177,974	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	288,645	2,147,345
Total	\$ 52,980,824	\$ 13,922,006

The City's contributions subsequent to the measurement date for PFRS amounted to \$6,765,000.

At year end June 30, 2017, the District's ERS recognized pension expenses of \$13,720,946, 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	\$ 535,632	\$ 3,245,880
Changes of Assumptions	7,302,405	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	4,269,408	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	2,401,815	275,856
Total	\$ 14,509,260	\$ 3,521,736

The District's contributions subsequent to the measurement date amounted to \$2,424,231.

At year end June 30, 2017, the District's TRS recognized pension expenses of \$29,643,807, 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	\$ —	\$ 5,747,298
Changes of Assumptions	100,783,929	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	39,780,537	—
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	2,493,804	542,115
Total	\$ 143,058,270	\$ 6,289,413

The District's contributions subsequent to the measurement date amounted to \$30,022,528.

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, 2018. 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
2018	\$ 5,957,341	\$ 12,909,369
2019	5,957,341	12,909,369
2020	5,280,113	12,149,724
2021	(4,102,235)	(624,398)
2022	—	1,714,754
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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended June 30,	ERS	TRS
2018	\$ 4,783,526	\$ 12,577,270
2019	4,783,526	12,577,270
2020	4,094,973	43,471,934
2021	(2,674,501)	33,859,705
2022	—	15,676,410
Thereafter	—	18,606,268

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, 2017	March 31, 2017
Actuarial Valuation Date	April 1, 2016	April 1, 2016
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, 2016 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, 2017	June 30, 2016
Actuarial Valuation Date	April 1, 2016	June 30, 2015
Interest Rate	7.0%	7.5%
Salary Scale	3.8%	1.9% - 4.7%
Decrement Tables	04/01/10-03/31/15 System's Experience	07/01/09-06/30/14 System's Experience
Inflation Rate	2.5%	2.5%
Cost of Living Adjustment	1.3%	1.5%

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, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

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

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

<u>CITY AND DISTRICT</u>	<u>Target</u>	<u>Target</u>	<u>Long-Term</u>	<u>Long-Term</u>
	<u>Allocation</u>	<u>Allocation</u>	<u>Expected</u>	<u>Expected</u>
			<u>Real Rate of</u>	<u>Real Rate of</u>
			<u>Return</u>	<u>Return</u>
	<u>TRS</u>	<u>ERS AND</u>	<u>TRS</u>	<u>ERS AND</u>
		<u>PFRS</u>		<u>PFRS</u>
Measurement Date			June 30, 2016	March 31, 2017
Asset Class:				
Domestic equities	37.0%	36.0%	6.1%	4.6%
International equities	18.0	14.0	7.3	6.4
Private equity	—	10.0	—	7.8
Real estate	10.0	10.0	5.4	5.8
Alternative investments	7.0	—	9.2	—
Absolute return strategies	20.0	2.0	1.9	4.0
Opportunistic portfolio	—	3.0	—	5.9
Real assets	—	3.0	—	5.5
Bond and mortgages	8.0	17.0	3.1	1.3
Cash	—	1.0	—	(0.25)
Inflation-indexed bonds	—	4.0	—	1.5
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 7.5% 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 7.5% 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 6.5% for TRS) or one percent point higher (8% for ERS and PFRS and 8.5% for TRS) than the current rate:

<u>CITY - ERS</u>	<u>1% Decrease (6%)</u>	<u>Current Assumption (7%)</u>	<u>1% Increase (8%)</u>
Employer's proportionate share of the Net Pension asset/(liability)	\$ (97,783,145)	\$ (30,616,534)	\$ 76,172,708
<u>CITY - PFRS</u>	<u>1% Decrease (6%)</u>	<u>Current Assumption (7%)</u>	<u>1% Increase (8%)</u>
Employer's proportionate share of the Net Pension asset/(liability)	\$ (193,198,846)	\$ (68,149,135)	\$ 36,736,959
<u>DISTRICT-ERS</u>	<u>1% Decrease (6%)</u>	<u>Current Assumption (7%)</u>	<u>1% Increase (8%)</u>
Employer's proportionate share of the Net Pension asset/(liability)	\$ (68,266,788)	\$ (21,374,772)	\$ 18,272,339
<u>DISTRICT-TRS</u>	<u>1% Decrease (6.5%)</u>	<u>Current Assumption (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employer's proportionate share of the Net Pension asset/(liability)	\$ (230,830,137)	\$ (17,691,830)	\$ 161,077,409

Pension Plan Fiduciary Net Position

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

	ERS	PFRS	TRS
	(Dollars in Thousands)		
Measurement Date	03/31/17	03/31/17	06/30/16
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 108,577,184
Fiduciary net position	168,004,363	29,597,830	107,506,142
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 1,071,042</u>
Ratio of Plan net position to the employers' total pension asset/(liability)	94.7%	93.5%	99.0%

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, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid City and District's ERS wages and PFRS wages multiplied by the employer's contribution rate by tier. The City's accrued retirement contributions as of June 30, 2017 for ERS amounted to \$3,353,417 and PFRS amounted to \$6,764,937. The District's accrued retirement contributions as of June 30, 2017 amounted to \$2,424,231.

For the District's TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a State Aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on TRS wages multiplied by a contribution rate of 11.72%, as calculated by the TRS as the actuarially required rate. Employer accrued retirement contributions as of June 30, 2017 were \$30,022,528.

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, 2017 (000's Omitted):

Due From:									
Due to:	General	Debt Service	General Capital	Transportation Capital	Nonmajor Governmental Special Revenue	Nonmajor Governmental Capital Projects	Internal Service	Proprietary	Total
General	\$ —	\$ —	\$ 40,902	\$ 2,236	\$ 921	\$ —	\$ 4,073	\$ 836	\$ 48,968
Debt Service	—	—	—	—	—	—	—	—	—
General Capital	29,851	138	—	3,810	196	15	—	—	34,010
Transportation Capital	3,350	—	7,106	—	—	—	—	—	10,456
Community Development	355	—	225	2	—	—	—	—	582
Nonmajor Governmental Capital Projects	185	—	—	—	—	—	—	—	185
Nonmajor Special Revenue	7,011	—	640	8,914	388	908	—	255	18,116
Internal Service	237	—	—	—	—	—	—	—	237
Proprietary	13,689	—	—	—	—	—	—	103	13,792
Total	\$ 54,678	\$ 138	\$ 48,873	\$ 14,962	\$ 1,505	\$ 923	\$ 4,073	\$ 1,194	\$ 126,346

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, 2017, which were routine in nature, were as follows (000's Omitted):

Transfer In:									
Transfer Out:	General	Debt Service	General Capital	Transportation Capital	Community Development	Nonmajor Governmental Capital Projects	Nonmajor Governmental Special Revenue	Internal Service	Total
General	\$ —	\$ —	\$ 19,229	\$ 1,399	\$ —	\$ —	\$ 85	\$ 2,080	\$ 22,793
Debt Service	4,800	—	—	—	—	—	85	—	4,885
General Capital	350	301	—	—	525	—	—	—	1,176
Transportation Capital	4,488	353	—	—	—	—	—	—	4,841
Community Development	—	—	—	—	—	—	—	—	—
Nonmajor Governmental Capital Projects	—	21	—	—	—	—	—	—	21
Nonmajor Special Revenue	1,875	—	351	3,551	—	323	—	—	6,100
Internal Service	2,000	—	—	—	—	—	—	—	2,000
Water	5,374	—	—	—	—	—	—	—	5,374
Total	\$ 18,887	\$ 675	\$ 19,580	\$ 4,950	\$ 525	\$ 323	\$ 170	\$ 2,080	\$ 47,190

F. TAX ABATEMENTS

The City of Rochester provides tax abatements under eight programs: COMIDA (County of Monroe Industrial Development Agency), CUE (Conversion Urban Exemption), Capital Improvement, Business Investment, Empire Zone, Municipal Housing Authority, Housing Development Fund Companies, and Redevelopment Company Housing Projects. All tax abatements except COMIDA are obtained through filing an application with the City of Rochester Assessment Bureau. The COMIDA application must be filed with Monroe County.

			# of	Total Assessed Value	Taxable Taxable Assessed	PILOT	Real Property
Program	NYS RPTL	Purpose of Program	Propert-ies	Of Properties	Value Of Properties	Revenue	Taxes being abated
COMIDA - CHOICE*	RPTL 412-a & General Municipal Law 874	Promote new residential owner occupied units in the Center City District (Homestead Tax Rate)	46	\$ 10,692,100	\$ 4,675,180	\$ 92,673	\$ 115,573
Criteria to be eligible to receive abatement *Core Housing	Owner ccupied housing						
COMIDA	RPTL 412-a & General Law 874	Job Growth (Non-Homestead Tax Rate)	110	\$354,275,700	\$ 245,666,076	\$ 6,903,538	\$ 4,101,425
CUE Conversion Urban Exemption	RPTL 485-a	Converted to mixed-use from under utilized commercial buildings (Resiential & Commercial (Non-Homestead Tax Rate)	16	\$ 19,724,300	\$ 6,208,000	N/A	\$ 510,416
Capital Improvement	RPTL 421-f	Capital Improvements to residential properties Center City District (Homestead Tax Rate)	497	\$ 45,603,000	\$ 40,605,464	N/A	\$ 95,993
Criteria to be eligible to receive abatement	Owner ccupied housing						
Business Investment	RPTL 485-b	Improvements to Commercial & Industrial properties (Non-Homestead Tax Rate)	116	\$ 90,381,600	\$ 79,505,881	N/A	\$ 410,700
Empire Zone	RPTL 485-e	Improvements to Commercial & Industrial Properties in Emprie Zones	18	\$ 25,087,000	\$ 20,299,787	N/A	\$ 180,780
Municipal Housing Authority	Public Housing Law Sections 52(3) 52(5) 52(6)	Municipal Housing	H 304	\$ 16,077,300	—	N/A	\$ 308,813
			NH 68	\$ 25,665,150	—	N/A	\$ 969,193
		Sub Totals	419	\$ 41,742,450	—	—	\$ 1,278,006

Program	NYS RPTL	Purpose of Program	# of Properties	Total Assessed Value	Taxable Taxable Assessed Value Of Properties	PILOT Revenue	Real Property Taxes being abated
Housing Development Fund Companies	Private Housing Finance Law Section 577(3)	Low Income Housing	NH 71	\$ 72,111,800	—		\$ 2,723,158
			H 348	\$ 26,184,900	—		\$ 502,960
			Sub Totals	419	\$ 98,296,700	—	—
Redevelopment Company Housing Projects	Private Housing Finance Law Sections 125, 127	Low Income Housing	(NH Non-Homestead (H Homestead)				
			NH 2	\$ 5,262,200	\$ 171,000	—	\$ 192,259
			H 1	\$ 270,000	\$ 12,000	—	\$ 4,956
			Sub Totals	3	\$ 5,532,200	\$ 183,000	—
Total	422	\$145,571,350	\$ 183,000	\$ 5,319,066	\$ 4,701,338		
						\$12,315,277	\$ 14,620,347

G. SUBSEQUENT EVENT

On August 3, 2017, the City of Rochester issued General Obligation Bond Anticipation Notes 2017 Series III in the amount of \$77,203,000 a portion of the proceeds (\$52,444,000) were used to redeem bond anticipation notes maturing on August 4, 2017 and the remaining portion (\$24,759,000) provided original financing. The City received an interest rate of 1.0129% on the BANs.

On August 1, 2017, the County of Monroe Industrial Agency (COMIDA) issued School Facility Revenue Bonds (Rochester School Modernization Project) Series 2017 in the amount of \$123,670,000 (total proceeds of \$148,484,312; \$123,670,000 principal amount plus \$24,814,312 premium) for the design and construction of Phase II Schools for the Rochester Joint Schools Construction Board. A portion of the COMIDA proceeds repaid the City of Rochester's Bond Anticipation Notes Series III originally issued on August 9, 2016 in the amount of \$32,000,000 and renewed on February 28, 2017 with a maturity of August 4, 2017.

The City of Rochester, New York

Required Supplemental Information

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, 2017 (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	\$ 148,292	\$ 150,730	\$ 7,913	\$ 7,913	\$ 3,366	\$ 3,366	\$ 159,571	\$ 159,571	\$ 162,009	\$ 2,438
Sales taxes	144,500	147,978	—	—	—	—	144,500	144,500	147,978	3,478
Other taxes	19,262	20,421	—	—	905	905	20,167	20,167	21,326	1,158
Charges for services	24,471	24,961	22,224	22,618	78,219	81,589	125,258	124,914	129,168	4,254
Use of money and property	140	106	10	5	14	8	164	164	119	(45)
Interest and penalties	1,958	3,268	—	—	1,002	969	2,960	2,960	4,237	1,277
Licenses and permits	2,745	3,231	35	40	—	—	2,780	2,780	3,271	491
Federal aid	5,741	5,742	—	—	5	5	5,525	5,746	5,747	1
State aid	111,843	111,495	1,032	975	156	77	112,603	113,031	112,547	(484)
Local sources and other	21,290	20,909	6,888	6,896	445	601	28,042	28,623	28,406	(217)
Total revenues	<u>480,242</u>	<u>488,841</u>	<u>38,102</u>	<u>38,447</u>	<u>84,112</u>	<u>87,520</u>	<u>601,570</u>	<u>602,456</u>	<u>614,808</u>	<u>12,351</u>
EXPENDITURES										
Council and clerk	1,871	1,788	—	—	—	—	1,871	1,871	1,788	83
Administration	11,128	10,666	—	—	—	—	10,923	11,128	10,666	462
Information technology	8,166	8,315	—	—	—	—	8,166	8,166	8,315	(149)
Finance	5,338	4,726	—	—	6,617	6,527	11,955	11,955	11,253	702
Neighborhood development	10,868	10,345	—	—	—	3	11,069	10,868	10,348	520
Environmental services	27,737	27,138	12,725	11,308	44,539	42,943	86,101	85,001	81,389	4,644
Library	—	—	12,032	11,791	—	—	11,927	12,032	11,791	241
Police	93,678	92,044	1,457	1,332	—	—	92,799	95,135	93,376	1,759
Fire	50,433	49,667	—	—	—	—	49,058	50,433	49,667	766
Emergency communications	13,793	13,496	—	—	—	—	13,793	13,793	13,496	297
Recreation and youth services	11,033	10,534	—	—	778	800	11,408	11,811	11,334	477
Undistributed	117,427	116,201	8,073	7,511	12,367	11,755	137,531	137,867	135,467	2,400
Contingency	9	—	—	—	—	—	6,055	9	—	9
Debt services	21,397	21,384	780	780	13,631	13,635	35,808	35,808	35,799	9
Total expenditures	<u>372,878</u>	<u>366,304</u>	<u>35,067</u>	<u>32,722</u>	<u>77,932</u>	<u>75,663</u>	<u>488,464</u>	<u>485,877</u>	<u>474,689</u>	<u>13,248</u>
Excess of revenues over expenditures	<u>107,364</u>	<u>122,537</u>	<u>3,035</u>	<u>5,725</u>	<u>6,180</u>	<u>11,857</u>	<u>113,106</u>	<u>116,579</u>	<u>140,119</u>	<u>25,599</u>

The City of Rochester, New York

Required Supplemental Information

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	\$ 14,610	\$ 14,399	\$ 85	\$ 85	\$ 1,226	\$ 1,226	\$ 14,915	\$ 15,921	\$ 15,710	\$ (211)
Transfers (to) other funds	(18,943)	(18,943)	(4,129)	(4,129)	(8,863)	(8,863)	(28,096)	(31,935)	(31,935)	—
Transfers (to) component unit	(119,100)	(119,100)	—	—	—	—	(119,100)	(119,100)	(119,100)	—
Total other financing uses	(123,433)	(123,644)	(4,044)	(4,044)	(7,637)	(7,637)	(132,281)	(135,114)	(135,325)	(211)
Appropriation of prior year fund balance	16,069	—	1,009	—	2,487	—	20,328	19,565	—	(19,565)
Excess (deficiency) of revenues and other sources over expenditures and other uses-Budget Basis	—	(1,107)	—	1,681	1,030	4,220	1,153	(2)	4,794	4,795
Encumbrances included in actual		5,630		255		988			6,873	
Excess of revenues and other sources over expenditures, encumbrances and other uses		4,523		1,936		5,208			11,666	
Expenditures of prior years' encumbrances		1,236		296		683			2,215	
Excess of revenues and other sources over expenditures and other uses		3,287		1,640		4,525			9,452	
Net proprietary capital expense		—		—		(16,320)			(16,319)	
Depreciation expense		—		—		(14,360)			(14,360)	
Debt service cash basis		—		—		10,020			10,020	
Contribution to reserve for capital projects		—		—		8,863			8,863	
Other post employment benefits		—		—		(6,057)			(6,057)	
Capital and debt reimbursement		—		—		(742)			(742)	
Capital contribution		—		—		4,160			4,160	
Aggregate net pension expense		—		—		(349)			(349)	
Fund Balance/Net Position - beginning		87,247		10,527		221,484			319,258	
Fund Balance/Net Position - ending		\$ 90,534		\$ 12,167		\$ 211,224			\$ 313,926	

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)**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Asset</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
2016	Sept. 26, 2016	—	852,162,028	852,162,028	—%	219,920,478	387.5%
2017	Sept. 26, 2016	—	875,292,911	875,292,911	—%	222,783,208	393%

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

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
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%
2017	68,716,620	28,747,448	41.83%

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, 2017 (000's Omitted)**

	EMPLOYEES' RETIREMENT SYSTEM									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 7,736	\$ 6,642	\$ 6,118	\$ 9,506	\$ 12,463	\$ 14,581	\$ 10,634	\$ 17,665	\$ 15,473	\$ 14,271
Contributions in relation to the contractually required contribution	\$ 7,736	\$ 6,642	\$ 6,118	\$ 9,506	\$ 12,463	\$ 14,581	\$ 10,634	\$ 17,665	\$ 15,473	\$ 14,271
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered-employee payroll	83,170	83,992	82,525	83,243	83,192	83,963	86,121	88,861	90,559	89,172
Contributions as a percentage of covered-employee payroll	9%	8%	7%	11%	15%	17%	12%	20%	17%	17%
	POLICE AND FIRE RETIREMENT SYSTEM									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Contractually required contribution	\$ 14,824	\$ 17,117	\$ 13,400	\$ 16,402	\$ 18,798	\$ 32,003	\$ 21,218	\$ 27,261	\$ 25,610	\$ 28,374
Contributions in relation to the contractually required contribution	\$ 14,824	\$ 17,117	\$ 13,400	\$ 16,402	\$ 18,798	\$ 32,003	\$ 21,218	\$ 27,261	\$ 25,610	\$ 28,374
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered-employee payroll	100,309	95,659	95,360	96,847	99,550	104,186	103,393	111,485	111,504	115,196
Contributions as a percentage of covered-employee payroll	15%	18%	14%	17%	19%	31%	21%	24%	23%	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 3 FISCAL YEARS
 FOR THE YEAR ENDED JUNE 30, 2017**

EMPLOYEES' RETIREMENT SYSTEM

	2015	2016	2017
City's proportion of the net pension asset (liability)	0.3300000%	0.3307422%	0.3258387%
City's proportionate share of the net pension asset (liability)	\$(11,279,921)	\$(53,085,040)	\$(30,616,534)
City's covered-employee payroll	\$ 88,860,688	\$ 90,558,782	\$ 89,171,877
City's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	12.69%	58.62%	58.62%
Plan fiduciary net position as a percentage of the total pension	97.9%	90.7%	94.7%

POLICE AND FIRE RETIREMENT SYSTEM

	2015	2016	2017
City's proportion of the net pension asset (liability)	3.2900000%	3.2675555%	3.2880163%
City's proportionate share of the net pension asset (liability)	\$ (9,055,486)	\$(96,745,364)	\$(68,149,135)
City's covered-employee payroll	\$111,485,280	\$111,504,686	\$115,195,607
City's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	8.12%	86.76%	86.76%
Plan fiduciary net position as a percentage of the total pension	99.0%	90.2%	93.5%

Pension Schedules in the Required Supplemental Information are intended to show information for ten years, additional years' information will be displayed as it becomes available.

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, 2017 (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	\$ —	\$ —	\$ 1,106	\$ 153	\$ 23,044	\$ 4,687	\$ 2,725	\$ 5,363	\$ 4,085	\$ 41,163	
Receivables (net of allowance for uncollectibles)											
Accounts	—	—	—	819	—	—	—	—	1	820	
Taxes	—	—	—	—	246	—	—	—	—	246	
Due from other funds	—	923	42	101	778	—	388	—	196	2,428	
Due from other governments	662	—	—	2,473	—	371	110	—	—	3,616	
Cash and cash equivalents - restricted	2,039	394	—	—	—	—	—	—	—	2,433	
Total assets	<u>\$ 2,701</u>	<u>\$ 1,317</u>	<u>\$ 1,148</u>	<u>\$ 3,546</u>	<u>\$ 24,068</u>	<u>\$ 5,058</u>	<u>\$ 3,223</u>	<u>\$ 5,363</u>	<u>\$ 4,282</u>	<u>\$ 50,706</u>	
LIABILITIES											
Accounts payable and other accrued liabilities	\$ —	\$ 221	\$ 73	\$ 624	\$ 197	\$ 355	\$ 123	\$ —	\$ 41	\$ 1,634	
Bond anticipation notes payable	—	1,459	—	—	—	—	—	—	—	1,459	
Due to other funds	—	185	765	1,944	12,469	199	963	—	1,776	18,301	
Due to other governments	—	—	40	320	162	—	—	—	—	522	
Due to component units	—	—	—	1	—	—	—	—	—	1	
Total liabilities	<u>—</u>	<u>1,865</u>	<u>878</u>	<u>2,889</u>	<u>12,828</u>	<u>554</u>	<u>1,086</u>	<u>—</u>	<u>1,817</u>	<u>21,917</u>	
FUND BALANCES (DEFICIT)											
Restricted	—	—	—	—	—	4,504	2,137	—	—	6,641	
Committed	2,701	—	—	—	—	—	—	5,363	—	8,064	
Assigned	—	—	270	657	11,240	—	—	—	2,465	14,632	
Unassigned	—	(548)	—	—	—	—	—	—	—	(548)	
Total fund balances	<u>2,701</u>	<u>(548)</u>	<u>270</u>	<u>657</u>	<u>11,240</u>	<u>4,504</u>	<u>2,137</u>	<u>5,363</u>	<u>2,465</u>	<u>28,789</u>	
Total liabilities and fund balances	<u>\$ 2,701</u>	<u>\$ 1,317</u>	<u>\$ 1,148</u>	<u>\$ 3,546</u>	<u>\$ 24,068</u>	<u>\$ 5,058</u>	<u>\$ 3,223</u>	<u>\$ 5,363</u>	<u>\$ 4,282</u>	<u>\$ 50,706</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, 2017 (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	\$ —	\$ —	\$ 1,925	\$ 5,988	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,913
Departmental	—	—	250	2,529	19,826	—	—	—	—	22,605
Use of money and property	—	—	—	—	5	—	—	—	—	5
Federal aid	—	—	—	—	—	1,708	849	—	—	2,557
State aid	—	273	—	902	73	134	578	—	—	1,960
Local sources and other	—	—	55	6,894	—	1,759	3	25	1,168	9,904
Total revenues	—	273	2,230	16,313	19,904	3,601	1,430	25	1,168	44,944
EXPENDITURES										
Current:										
General government	—	—	556	3,866	3,089	—	—	—	48	7,559
Neighborhood business development	—	—	—	—	—	778	45	—	2	825
Environmental services	—	—	—	—	11,453	—	128	—	—	11,581
Transportation	—	—	—	—	—	—	—	—	129	129
Police department	—	—	1,320	—	—	—	850	—	—	2,170
Fire department	—	—	—	—	—	—	316	—	—	316
Library	—	810	—	11,699	—	—	—	—	—	12,509
Recreation and youth services	—	414	—	—	—	898	—	—	1	1,313
Debt service:										
Principal retirement	—	—	—	240	260	—	—	—	—	500
Interest	—	—	—	52	132	—	—	—	—	184
Capital outlay:										
Neighborhood business development	19	—	—	—	—	—	—	—	—	19
Library	—	245	—	—	—	—	—	—	—	245
Recreation and youth services	—	452	—	—	—	—	—	—	—	452
Total expenditures	19	1,921	1,876	15,857	14,934	1,676	1,339	—	180	37,802
Excess (deficiency) of revenues over (under) expenditures	(19)	(1,648)	354	456	4,970	1,925	91	25	988	7,142
OTHER FINANCING SOURCES (USES)										
Transfers in	—	408	—	17	68	—	—	—	—	493
Transfers out	—	(21)	(351)	(323)	(3,551)	(609)	(160)	—	(1,106)	(6,121)
Total other financing source (uses)	—	387	(351)	(306)	(3,483)	(609)	(160)	—	(1,106)	(5,628)
Net change in fund balances	(19)	(1,261)	3	150	1,487	1,316	(69)	25	(118)	1,514
Fund balances - beginning	2,720	713	267	507	9,753	3,188	2,206	5,338	2,583	27,275
Fund balances (deficit) - ending	\$ 2,701	\$ (548)	\$ 270	\$ 657	\$ 11,240	\$ 4,504	\$ 2,137	\$ 5,363	\$ 2,465	\$ 28,789

THE CITY OF ROCHESTER, NEW YORK
SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017 (000's Omitted)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Cash and cash equivalents	\$ 15,379	\$ 19,453	\$ 21,791	\$ 13,041
Receivables (net of allowance for uncollectibles)	259	697	608	348
Total assets	<u>15,638</u>	<u>20,150</u>	<u>22,399</u>	<u>13,389</u>
 LIABILITIES				
Accounts payable and other accrued liabilities	15,638	15,918	18,167	13,389
Total liabilities	<u>\$ 15,638</u>	<u>\$ 15,918</u>	<u>\$ 18,167</u>	<u>\$ 13,389</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>	<u>96</u>
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant Local revenue source, the property tax.</i>	<u>103</u>
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>	<u>107</u>
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>	<u>112</u>
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>	<u>114</u>

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 441,242	\$ 488,181	\$ 530,636	\$ 591,596	\$ 552,846	\$ 547,613	\$ 597,794	\$ 602,559	\$ 626,977	\$ 642,707
Restricted	127,030	121,987	122,365	95,632	83,543	168,975	120,328	83,436	66,658	40,619
Unrestricted	(9,910)	(44,890)	(72,804)	(108,146)	(102,121)	(157,296)	(229,839)	(240,753)	(315,517)	(371,720)
Total governmental activities net position	<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>	<u>\$ 311,606</u>
Business-type activities										
Net investment in capital assets	\$ 158,705	\$ 170,659	\$ 172,913	\$ 191,986	\$ 183,329	\$ 187,190	\$ 211,529	\$ 207,285	\$ 205,542	\$ 199,698
Restricted	33,854	27,430	43,136	32,536	21,454	18,456	16,722	16,417	17,126	9,442
Unrestricted	2,105	5,895	(1,803)	(6,556)	10,365	11,781	5,770	1,640	(1,184)	2,084
Total business-type activities net position	<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>	<u>\$ 211,224</u>
Primary government										
Net investment in capital assets	\$ 599,947	\$ 658,840	\$ 703,549	\$ 783,582	\$ 736,175	\$ 734,803	\$ 809,323	\$ 809,844	\$ 832,519	\$ 842,405
Restricted	160,884	149,417	165,501	128,168	104,997	187,431	137,050	99,853	83,784	50,061
Unrestricted	(7,805)	(38,995)	(74,607)	(114,702)	(91,756)	(145,515)	(224,069)	(239,113)	(316,701)	(369,635)
Total primary government net position	<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>	<u>\$ 522,831</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 75,552	\$ 67,301	\$ 82,702	\$ 95,832	\$ 102,200	\$ 119,387	\$ 154,138	\$ 136,679	\$ 166,709	\$ 177,758
Neighborhood business development	33,595	34,379	38,726	41,930	34,908	41,888	43,480	38,195	157,406	31,641
Environmental services	31,904	33,166	34,574	43,954	36,819	43,419	45,366	45,209	85,311	50,473
Transportation	25,468	23,380	21,312	14,946	8,098	4,094	8,982	22,674	24,987	24,743
Emergency communications	15,222	16,416	16,966	17,765	19,281	23,218	22,853	23,141	24,369	25,752
Police department	124,310	123,793	126,085	133,107	128,413	143,722	143,880	147,566	42,010	163,702
Fire department	68,041	69,232	69,949	71,028	69,022	82,560	78,226	79,577	20,361	87,741
Library	12,324	12,387	12,723	12,161	13,143	13,958	13,878	14,003	15,739	15,705
Recreation and youth services	15,406	20,311	10,355	17,743	18,225	18,818	18,069	18,954	25,883	19,039
Education	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	4,535	119,100
Interest on long-term debt	6,049	3,872	3,644	3,445	3,071	3,664	4,596	4,483	119,100	4,295
Total governmental activities expenses	526,971	523,337	536,136	571,011	552,280	613,828	652,568	649,581	686,410	719,949
Business-type activities:										
Water	28,505	27,632	28,499	31,089	31,960	33,206	31,348	36,081	33,076	34,549
Parking	6,343	5,163	7,634	7,195	11,463	7,580	17,039	15,466	2,068	29,238
War Memorial	3,005	2,992	2,821	2,757	2,590	2,696	2,526	2,443	15,595	2,449
Refuse	22,496	24,602	24,800	26,603	26,637	27,383	26,850	29,703	3,565	29,986
Cemetery	1,953	1,789	2,398	1,770	2,118	3,016	2,679	3,025	1,101	3,522
Public Market	922	1,276	555	1,054	1,557	789	899	1,065	28,978	2,012
Total business-type activities expenses	63,224	63,454	66,707	70,468	76,325	74,670	81,341	87,783	84,383	101,756
Total primary government expenses	\$ 590,195	\$ 586,791	\$ 602,843	\$ 641,479	\$ 628,605	\$ 688,498	\$ 733,909	\$ 737,364	\$ 770,793	\$ 821,705
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 10,222	\$ 10,987	\$ 13,121	\$ 15,681	\$ 10,500	\$ 40,648	\$ 69,563	\$ 71,570	\$ 74,205	\$ 80,035
Neighborhood business development	5,637	3,491	4,720	4,090	4,529	3,740	3,681	7,080	8,412	5,990
Environmental services	20,969	21,713	20,663	22,959	18,511	19,058	19,552	20,351	1,960	20,687
Transportation	820	386	942	975	970	940	1,048	946	17,528	1,392
Emergency communications	12,353	13,113	13,345	15,896	14,473	17,220	16,474	17,337	1,106	17,269
Police department	7,560	8,062	8,234	6,989	9,084	10,961	6,470	7,059	20,291	6,426
Fire department	1,195	887	809	843	1,268	1,860	2,185	2,066	1,044	2,799
Library	2,456	2,933	3,112	3,202	2,603	2,729	2,455	2,730	2,658	2,529
Recreation and youth services	2,228	3,322	2,280	1,864	1,589	1,243	1,196	1,717	6,497	1,163
Operating grants and contributions	37,290	33,162	37,669	37,318	31,754	70,831	38,495	43,486	33,289	38,226
Capital grants and contributions	11,366	15,984	20,851	45,201	23,008	30,137	19,769	16,065	18,166	37,791
Total governmental activities program revenues	112,096	114,040	125,746	155,018	118,289	199,367	180,888	190,407	185,156	214,307

Continued

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

	Continued									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Water	\$ 34,241	\$ 33,018	\$ 32,995	\$ 34,538	\$ 35,988	\$ 37,705	\$ 36,579	\$ 36,925	\$ 37,298	\$ 39,022
Parking	2,879	3,139	4,437	9,040	9,805	10,899	11,823	12,704	11,553	17,033
War Memorial	1,460	1,781	1,452	1,406	1,571	1,586	1,342	913	994	932
Refuse	25,110	24,817	24,452	26,001	25,724	25,534	25,675	26,196	27,317	27,843
Cemetery	1,147	1,117	1,062	1,232	1,370	1,767	1,557	1,532	1,467	1,531
Public Market	642	675	749	716	730	774	824	789	819	724
Operating grants and contributions	—	—	—	—	—	—	115	—	—	—
Capital grants and contributions	511	4,994	905	1,754	—	—	20,578	1,374	1,433	4,160
Total business-type activities program revenues	<u>65,990</u>	<u>69,541</u>	<u>66,052</u>	<u>74,687</u>	<u>75,188</u>	<u>78,265</u>	<u>98,493</u>	<u>80,433</u>	<u>80,881</u>	<u>91,245</u>
Total primary government program revenues	<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>	<u>\$ 305,552</u>
Net (expense)/revenue										
Governmental activities	\$ (414,875)	\$ (409,297)	\$ (410,390)	\$ (415,993)	\$ (433,991)	\$ (414,461)	\$ (471,680)	\$ (459,174)	\$ (501,252)	\$ (505,642)
Business-type activities	2,766	6,087	(655)	4,219	(1,137)	3,595	17,152	(7,350)	(3,502)	(10,511)
Total primary government net expense	<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>	<u>\$ (516,153)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 136,921	\$ 141,531	\$ 141,319	\$ 146,544	\$ 146,698	\$ 147,218	\$ 148,913	\$ 152,593	\$ 152,921	154,506
Sales taxes	130,865	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945	148,263
Payment in-lieu of tax	—	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238	12,367
Other taxes	28,725	25,711	13,251	13,897	12,654	12,691	8,527	8,410	7,619	8,354
Governmental aid - (unrestricted)	105,188	131,431	108,437	106,069	104,323	120,271	104,821	108,673	103,420	101,269
Investment earnings	7,143	3,228	2,938	781	1,499	4	1,401	1,476	1,576	1,819
Miscellaneous	2,290	2,330	1,492	1,519	2,062	12,846	4,845	5,923	7,035	7,178
Proceeds of general obligation debt	—	—	—	—	—	—	—	—	—	—
Transfers	(916)	4,593	11,441	5,533	3,697	5,374	5,374	5,374	5,374	5,374
Total governmental activities	<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>	<u>439,130</u>
Business-type activities:										
Taxes										
Property taxes	3,876	3,379	5,557	2,142	2,330	1,998	2,224	2,635	2,641	3,366
Other taxes	905	1,131	905	1,131	679	905	905	906	905	905
Governmental aid	125	1,133	157	11	160	7	433	5	5	60
Investment earnings	1,180	711	793	308	401	57	174	389	238	325
Miscellaneous	1,482	1,472	1,480	1,442	1,616	1,091	1,080	975	1,229	969
Gain on Sale of land	—	—	13,466	—	—	—	—	—	—	—
Transfers	916	(4,593)	(11,441)	(5,533)	(3,574)	(5,374)	(5,374)	(5,374)	(5,374)	(5,374)
Total business-type activities	<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>	<u>254</u>
Total primary government	<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>	<u>\$ 439,384</u>
Change in Net Position										
Governmental activities	\$ (4,659)	\$ 21,604	\$ 2,783	\$ (1,115)	\$ (16,362)	\$ 25,024	\$ (45,723)	\$ (26,015)	\$ (67,124)	(66,511)
Business-type activities	11,250	9,320	10,262	3,720	475	2,279	16,594	(7,814)	(3,858)	(10,259)
Total primary government	<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>	<u>\$ (76,770)</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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Property tax	\$140,797	\$144,910	\$146,876	\$148,686	\$149,028	\$149,216	\$151,137	\$155,228	\$155,562	154,506
Sales tax	130,865	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945	148,263
Payment in-lieu of tax	—	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238	12,367
Other taxes	<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>	<u>8,354</u>
Total taxes	<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>	<u>\$323,490</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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 20,283	\$ 21,033	\$ 20,679	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved	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	47,835
Assigned	—	—	—	15,998	15,686	28,540	27,923	30,753	39,939	37,029
Unassigned	—	—	—	4,920	4,860	4,870	5,152	5,030	5,672	5,670
Unallocated	—	—	—	—	—	—	—	—	—	—
Total general fund	28,659	29,559	33,970	67,623	65,810	68,633	80,910	85,938	87,247	90,534
All other governmental funds										
Reserved	122,450	133,568	137,407	—	—	—	—	—	—	—
Unreserved, designated for subsequent yr's expenditures	661	2,028	462	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	3,070	3,987	7,119	—	—	—	—	—	—	—
Capital projects funds	14,641	(1,260)	15,631	—	—	—	—	—	—	—
Permanent funds	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	4,606
Capital projects funds	—	—	—	453	—	1,066	—	—	—	—
Special revenue/Community development funds	—	—	—	4,870	3,655	9,051	4,798	4,667	3,901	3,241
Other governmental funds	—	—	—	9,589	9,810	4,737	4,389	4,989	5,394	6,641
Committed, reported in:										
Capital projects funds	—	—	—	60,095	63,185	119,042	81,463	69,865	42,605	28,139
Special revenue/Community development funds	—	—	—	5	1,057	5,372	5,473	411	872	3,905
Other governmental funds	—	—	—	1,942	6,445	11,143	8,824	8,495	8,771	8,064
Assigned, reported in:										
Debt service funds	—	—	—	13,484	13,716	15,281	15,615	15,780	15,979	16,262
Capital projects funds	—	—	—	1,877	581	859	677	606	563	39
Other governmental funds	—	—	—	8,473	9,304	11,173	10,970	11,006	13,110	14,632
Unassigned, reported in:										
Capital projects funds	—	—	—	—	(8,959)	—	—	(16,181)	(8,967)	(17,726)
Other governmental funds	—	—	—	—	(369)	—	—	—	—	(548)
Total all other governmental funds	147,306	144,944	167,363	113,849	102,462	189,377	140,898	104,708	90,502	67,255
Total all governmental funds	\$ 175,965	\$ 174,503	\$ 201,333	\$ 181,472	\$ 168,272	\$ 258,010	\$ 221,808	\$ 190,646	\$ 177,749	\$ 157,789

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Real property tax	\$ 135,851	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055	\$ 149,507	\$ 148,791	\$ 153,969	\$ 155,756	158,343
Sales tax	159,940	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550	147,978
Other taxes	—	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857	20,721
Departmental	43,404	43,530	46,105	47,937	39,967	44,367	43,371	49,225	47,801	48,155
Interest on investments	—	—	—	—	—	3	—	—	—	—
Use of money and property	7,896	4,254	3,316	872	1,264	9,121	766	821	3,409	1,001
Licenses and permits	2,676	2,384	2,693	2,785	3,157	3,141	3,384	3,175	3,894	3,420
Federal aid	27,514	26,132	33,934	47,968	33,442	49,122	37,067	35,610	23,265	37,205
State aid	111,542	143,471	123,231	133,325	117,404	133,952	115,867	120,854	119,449	123,733
Local sources and other	32,677	29,587	28,597	30,220	31,127	37,444	32,771	36,186	38,114	40,807
Ferry	—	—	—	—	—	—	—	—	—	—
Total revenues	521,500	543,568	527,643	561,460	533,232	580,352	542,296	558,994	555,095	581,363
Expenditures										
Council and clerk	1,698	1,674	1,726	—	—	—	—	—	—	—
Administration	11,201	11,047	8,660	—	—	—	—	—	—	—
Law	1,865	1,898	1,757	—	—	—	—	—	—	—
Information technology	4,021	3,579	3,786	—	—	—	—	—	—	—
Finance	5,131	5,180	4,066	—	—	—	—	—	—	—
Neighborhood business development	26,527	21,600	33,971	33,678	29,833	33,489	37,985	39,104	25,280	22,107
Economic development	1,226	1,545	—	—	—	—	—	—	—	—
Environmental services	34,191	36,082	35,844	30,272	23,213	25,262	28,498	30,708	29,345	34,003
Emergency communications	9,419	10,189	10,493	11,194	12,164	14,853	12,906	12,810	11,621	13,443
Police	78,057	77,775	78,253	84,121	83,279	85,061	87,439	87,908	89,431	93,955
Fire	41,231	42,412	42,297	42,594	42,655	48,212	46,560	46,363	47,298	49,861
Library	10,361	10,687	11,029	11,220	10,602	10,708	11,030	11,122	12,929	12,761
Recreation & youth services	13,971	12,967	9,264	11,833	11,581	9,489	11,394	11,412	11,303	11,031
Undistributed	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	57,219	58,057	72,363	—	—	—	—	—	—	—
Debt service:										
Principal retirement	34,069	37,620	15,125	16,149	14,269	12,450	17,389	17,875	14,765	15,893
Interest	6,629	4,476	3,184	3,850	3,138	3,247	4,715	4,522	4,548	4,400
Administrative charges	—	—	—	204	27	124	16	11	7	14
General government	—	—	—	118,204	124,998	135,018	124,930	144,892	160,000	169,152
Transportation	—	—	—	5,814	5,438	5,311	5,211	8,858	22,286	31,140
Capital outlay:										
General government	—	—	—	71,601	44,599	42,618	45,704	31,745	22,141	19,450
Neighborhood business development	—	—	—	659	352	221	78	5	—	18
Environmental services	—	—	—	—	1,471	5,878	5,577	2,477	—	131
Transportation	—	—	—	14,193	19,474	19,215	20,124	22,945	15,277	9,565
Police department	—	—	—	—	—	133	736	—	807	—
Fire department	—	—	—	—	—	9	98	—	418	—
Library	—	—	—	1,717	755	1,067	1,054	1,003	758	245
Recreation and youth services	—	—	—	3,530	753	920	1,673	392	76	452
Total expenditures	539,535	545,782	540,842	579,933	547,701	572,385	582,217	593,252	587,390	606,721
Excess of revenues over (under) expenditures	(18,035)	(2,214)	(13,199)	(18,473)	(14,469)	7,967	(39,921)	(34,258)	(32,295)	(25,358)
Other financing sources (uses)										
Transfers in	80,600	88,831	81,231	84,914	58,941	—	35,378	60,110	41,428	45,110
Transfers out	(84,400)	(88,079)	(71,164)	(88,118)	(57,623)	(54,497)	(31,704)	(57,014)	(42,652)	(39,815)
Payment to refunding bond escrow agent	—	—	—	—	—	(11,055)	—	—	—	—
Premium on refunding bond issued	—	—	—	—	—	708	—	—	—	170
Refunding bonds issued	—	—	—	—	—	10,450	—	—	—	1,424
Transfers from other funds	—	—	—	—	—	55,011	—	—	—	—
Proceeds of general obligation debt (capital projects)	24,513	—	29,962	1,767	—	81,154	—	—	20,622	(1,490)
Capital contributions	—	—	—	—	—	—	45	—	—	—
Total other financing sources (uses)	20,713	752	40,029	(1,437)	1,318	81,771	3,719	3,096	19,398	5,399
Net change in fund balances	\$ 2,678	\$ (1,462)	\$ 26,830	\$ (19,910)	\$ (13,151)	\$ 89,738	\$ (36,202)	\$ (31,162)	\$ (12,897)	\$ (19,959)
Debt service as a percentage of noncapital expenditures	8.44%	8.63%	3.72%	3.79%	3.48%	2.98%	4.1%	4.07%	3.52%	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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Property tax	\$135,851	\$144,594	\$141,446	\$144,393	\$148,055	\$149,507	\$148,791	\$153,969	\$155,756	\$158,343
Sales tax	159,940	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550	147,978
Other taxes	—	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857	20,721
Total taxes	<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>	<u>327,042</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
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
2017	6,482,549	11,501	6,494,050	6,673,408	6,680,286	97.21%	2.69%	19.21	37.76

Notes:

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

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

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

Fiscal Year	City of Rochester			Overlapping Rate	Total Direct & Overlapping Rate	
	General Municipal Purposes	School Purposes	Total Direct Rate	Monroe County (1)		
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
2017	Homestead	6.11	13.10	19.21	9.17	28.38
	Nonhomestead	11.98	25.78	37.76	9.17	46.93

(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, 2017
(000's Omitted)**

	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rochester Gas and Electric	\$928,584	1	14.32%	\$527,221	1	10.26%
Buckingham Properties	72,903	2	1.12%	27,913	4	0.54%
Eastman Kodak Co.	61,621	3	0.95%	100,400	2	1.95%
Frontier Telephone Corp.	56,231	4	0.87%	70,699	3	1.38%
CSX (Conrail)	28,830	5	0.44%	13,594	9	0.26%
Clinton Asset Holding	25,000	6	0.39%	—	—	—
Maguire Family Properties	21,133	7	0.33%	18,509	6	0.36%
Anthony Dimarzo	15,039	8	0.23%	—	—	—
Carestream Health Inc.	12,859	9	0.20%	—	—	—
Farash Corp.	11,600	10	0.18%	—	—	—
Chase Manhattan	—	—	—%	21,709	5	0.42%
Xerox	—	—	—%	14,250	7	0.28%
Landsman Development Corp.	—	—	—%	13,992	8	0.27%
Midtown Rochester LLC	—	—	—%	13,442	10	0.26%
Totals	<u>\$1,233,800</u>		<u>19.03%</u>	<u>\$821,729</u>		<u>16.00%</u>

Note:

- 1) The total taxable assessed value of \$6,482,548,805 was used for fiscal year 2016-17 taxes.
- 2) The total taxable assessed value of \$5,136,517,370 was used for fiscal year 2007-08 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			
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%
2017	217,466	203,176	93.43%	N/A	203,176	93.43%	3,211	23,558	10.83%

Notes:

- (1) Tax exempt properties with an assessed value of \$676,223,650 made payments in lieu of taxes amounting to \$12,413,131 for the fiscal year ending June 30, 2017. If these properties had been fully taxable, total revenues would have increased by \$12,142,949. 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			
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	101,754	82,096	183,850	N/A	N/A
2017	85,018	72,073	157,091	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		Total	Percentage of Estimated Actual Taxable	
	General Obligation Bonds	Less: Amounts Available for Debt		Value of Property	Per Capita (1)
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
2017	157,091	24,188	132,903	2.05%	636

Notes:

1) Population figures for 2008 - 2016 are from US Census Bureau www.quickfacts.census.gov, current year data unavailable.
2016 population used for 2017.

THE CITY OF ROCHESTER, NEW YORK
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2017
(000's Omitted)

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Rochester	Amount Applicable to City of Rochester
City of Rochester	\$85,018	100.00%	\$85,018
County of Monroe (1)	497,777	15.46%	76,956
Total	\$582,795		\$161,974

(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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$515,947	\$522,808	\$522,785	\$529,676	\$530,872	\$529,709	\$532,221	\$542,837	\$544,119	\$551,650
Total net debt applicable to limit	328,185	350,662	338,141	320,038	311,105	331,979	323,825	312,336	313,593	301,104
Legal debt margin	<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>	<u>\$250,546</u>
Total net debt applicable to the limit as a percentage of debt limit	63.61%	67.07%	64.68%	60.42%	58.60%	62.67%	60.84%	57.54%	57.63%	54.58%

Legal Debt Margin Calculation for Fiscal Year 2017

Indebtedness

Borrowings (Bonds and Notes)	\$391,049	(1)	
Contract liabilities	—	(2)	\$391,049

Deductions and Exclusions

Water Bonds and Notes	56,624	(3)	
Sanitary Sewer Bonds and Notes	—	(3)	
School - RJSCB note	32,000		
Appropriation	—	(4)	
Cash and cash equivalents	<u>1,321</u>	(5)	<u>89,945</u>

Net indebtedness			301,104
Debt limit (9% of five-year average full valuation)			<u>551,650</u>
Debt Contracting Margin			<u><u>\$250,546</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**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Population (1)	206,759	206,886	207,294	210,565	210,855	210,515	210,358	209,983	209,983	208,880
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	26,984
Unemployment Rate (4)	5.8%	7.4%	10.2%	10.8%	10.6%	10.8%	9.5%	8.0%	7.3%	6.7%
Employed (4)	88,100	88,000	85,200	86,000	85,100	83,800	85,200	84,400	84,800	83,700

Source:

- (1) 2008 - 2016 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable, 2016 population used for 2017.
- (2) US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov). Total personal income in thousands of dollars.
- (3) Rochester City School District (www.rcsdk12.org).
- (4) www.labor.state.ny.us (Average rates computed through August 2017) for City of Rochester.

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

	2017			2008		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment (2)
University of Rochester/Strong Memorial Hospital	27,590	1	5.34%	17,802	1	3.32%
Rochester Regional Health System (3)	15,753	2	3.05%	—	—	—
Wegmans Food Markets Inc.	13,606	3	2.63%	13,642	2	2.54%
Xerox Corporation	6,396	4	1.24%	7,670	4	1.43%
Paychex	4,123	5	0.80%	2,866	9	0.53%
Rochester Institute of Technology	3,993	6	0.77%	3,258	8	0.61%
Lifetime Healthcare Cos. Inc.	3,569	7	0.69%	3,614	7	0.67%
Harris Corporation	3,450	8	0.67%	2,200	10	0.41%
Sutherland Global Services Inc.	2,952	9	0.57%	—	—	—
YMCA of Greater Rochester	2,745	10	0.53%	—	—	—
Eastman Kodak Company	—	—	—	12,500	3	2.33%
ViaHealth	—	—	—	6,878	5	1.28%
Unity Health System	—	—	—	4,879	6	0.91%

(1) Source: Rochester Business Journal The Lists - 2017 Edition.

(2) Employment source: www.labor.state.ny.us employment data as of 12/31/16 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Council and Clerk	27.2	27.2	27.2	26.7	26.7	25.7	23.1	23.1	23.1	23.3
Administration	184.3	218.8	208.3	138.9	136.1	92.5	92.9	93.5	97.4	110.1
Information Technology	—	54.0	43.6	47.6	48.5	49.5	49.6	54.2	54.8	55.2
Finance	138.6	97.4	94.4	107.0	106.4	95.9	102.6	106.9	110.9	109.8
Neighborhood & Business Development (1)	—	—	—	154.5	153.2	140.0	137.6	138.2	138.7	136.9
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	731.6
Emergency Communications	187.6	192.6	192.6	198.6	196.7	234.8	231.6	231.7	233.9	230.4
Police	923.8	984.1	989.5	958.9	963.3	930.7	940.0	939.0	905.4	939.1
Fire	562.5	554.2	537.9	534.9	525.2	513.4	518.2	527.2	523.5	532.6
Library	172.9	172.9	169.7	166.6	168.4	154.3	146.2	142.2	140.4	139.5
Recreation & Youth Services	277.4	199.3	195.4	194.8	192.4	198.9	188.0	198.1	202.2	211.3
Total	3,329.9	3,355.8	3,298.4	3,244.6	3,229.5	3,120.4	3,109.0	3,136.2	3,151.4	3,219.8

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	2,747
School District	6,099	6,073	6,296	6,053	5,579	5,256	5,365	5,221	5,618	6,022
Total	9,062	9,036	9,189	8,893	8,380	7,975	8,068	7,935	8,341	8,769

Note:

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

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

Estimated

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	1,261,082
Police										
Calls for service	413,820	465,268	395,883	416,876	411,421	403,312	357,076	364,947	369,892	359,373
Reported crimes	47,369	30,907	41,593	44,296	45,576	30,119	31,638	30,859	31,402	22,683
Fire										
Unit responses	52,548	53,226	53,226	47,539	46,553	42,112	43,440	43,300	44,100	46,557
Refuse										
Residential accounts	52,690	52,560	52,337	52,340	52,408	52,030	52,446	51,277	51,519	51,351
Commercial accounts	2,625	2,650	2,672	2,663	2,478	2,416	2,386	2,393	2,464	2,614
Total tonnage	109,835	109,258	106,687	104,282	104,886	100,819	97,606	99,500	105,000	106,000
Residential cost per ton	\$108.59	N/A								
Commercial cost per ton	\$169.31	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	36.66
City water demand	30.55	30.44	28.9	27.86	28.32	27.33	27.8	28.2	29.8	27.01
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	1,184,341
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	1,465,962
Computer Use Sessions	370,098	376,496	398,995	424,429	428,799	392,914	396,752	373,830	340,972	279,942
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	2,569,640
Parks and Recreation										
Convention Center attendance	274,000	278,845	279,618	279,618	241,951	244,575	226,176	255,000	250,000	207,941
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	441,428

Source: City of Rochester Budget & Departments

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Miles of streets	539	539	540	540	540	540	532	532	532	533
Parking garages	8	8	8	8	8	8	8	8	9	8
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	28,200
Fire hydrants	7,287	7,287	7,287	7,686	7,686	7,843	7,634	7,638	7,655	7,662

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, 2017, 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, 2017.

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, 2017

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

INDEPENDENT AUDITOR'S REPORT

The 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, 2017. 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 \$71,348,042 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2017. 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, 2017.

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, 2017

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG PY 2000	B-00-MC-36-0003	14.218	\$ —	\$ 76,440
CDBG PY 2002	B-02-MC-36-0003	14.218	—	22,500
CDBG PY 2003	B-03-MC-36-0003	14.218	—	6,129
CDBG PY 2004	B-04-MC-36-0003	14.218	—	25,961
CDBG PY 2006	B-06-MC-36-0003	14.218	—	6,159
CDBG PY 2007	B-07-MC-36-0003	14.218	—	5,299
CDBG PY 2008	B-08-MC-36-0003	14.218	—	8,386
CDBG PY 2009	B-09-MC-36-0003	14.218	—	145
CDBG PY 2010	B-10-MC-36-0003	14.218	—	65,098
CDBG PY 2011	B-11-MC-36-0003	14.218	—	38,751
CDBG PY 2012	B-12-MC-36-0003	14.218	—	137,742
CDBG PY 2013	B-13-MC-36-0003	14.218	—	304,218
CDBG PY 2014	B-14-MC-36-0003	14.218	—	1,065,402
CDBG PY 2015	B-15-MC-36-0003	14.218	—	1,250,778
CDBG PY 2016	B-16-MC-36-0003	14.218	659,816	4,832,149
Total CDBG Cluster			659,816	7,845,157
Section 108 Loan Program	B-12-MC-36-0003	14.248	—	30,027
Emergency Shelter	E-13-MC-36-0005	14.231	1,580	1,580
Emergency Shelter	E-14-MC-36-0005	14.231	30,487	30,487
Emergency Shelter	E-15-MC-36-0005	14.231	180,262	180,262
Emergency Shelter	E-16-MC-36-0005	14.231	334,479	387,084
Home Program 2010	M-10-MC-36-0504	14.239	—	4,296
Home Program 2011	M-11-MC-36-0504	14.239	—	63,937
Home Program 2012	M-12-MC-36-0504	14.239	—	75,014
Home Program 2013	M-13-MC-36-0504	14.239	—	147,058
Home Program 2014	M-14-MC-36-0504	14.239	135,081	135,081
Home Program 2015	M-15-MC-36-0504	14.239	334,432	334,432
Home Program 2016	M-16-MC-36-0504	14.239	203,013	553,106
Lead Hazard Control Grant LED06	NYLHD0247-13	14.905	—	896,498
HOPWA	N-YH-11-F003	14.241	1	1
HOPWA	N-YH-12-F003	14.241	763	763
HOPWA	N-YH-13-F003	14.241	33,684	33,684
HOPWA	N-YH-15-F003	14.241	211,931	211,931
HOPWA	N-YH-16-F003	14.241	325,080	345,715
U.S. DEPARTMENT OF COMMERCE				
EDA - Photech Redevelopment	01-01-14186	11.300	—	355,418
Total Economic Development Cluster			—	355,418
U.S. DEPARTMENT OF JUSTICE				
Justice Assistance Grant-10	2013-DJ-BX-1054	16.738	—	22,365
Justice Assistance Grant-11	2014-DJ-BX-0450	16.738	—	87,384
Justice Assistance Grant-12	2015-DJ-BX-0036	16.738	—	57,138
Justice Assistance Grant-13	2016-DJ-BX-0058	16.738	—	45,118
Body-Worn Camera Policy and Implementation Program	2015-DE-BX-K022	16.738	—	520,747
PASS THROUGH FROM DCJS:				
Stop Violence Against Women 2016	C652156	16.588	—	17,428
Stop Violence Against Women 2017	C652156	16.588	—	18,071
PASS THROUGH FROM OFFICE OF VICTIMS SERVICES:				
Crime Victims Assistance 2015-2016 (YR #2)	C100294	16.575	—	41,841
Crime Victims Assistance 2016-2017 (YR #3)	C100294	16.575	—	151,214
PASS THROUGH FROM COUNTY OF MONROE:				
2014 Grants to Encourage Arrest-Domestic Abuse Response Team (YR#3)(2016)	2014-WE-AX-0029	16.590	—	31,718

THE CITY OF ROCHESTER, NEW YORK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

Continued

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
PASS THROUGH FROM RIT:				
2014 Project Safe Neighborhoods - Pathways to Peace DRYS (YR #2) (2015 + EXTENSION)	2014-GPBX-0004 Subaward 31496-02	16.609	—	10,086
2014 Project Safe Neighborhoods - POLICE (YR #1) (2014)	2014-GPBX-0004 Subaward 31496-04	16.609	—	40,548
U.S. DEPARTMENT OF TRANSPORTATION				
NYS DEPARTMENT OF TRANSPORTATION (Pass Through)				
Broad Street Bridge	D013824	20.205	—	1,936,275
Inner Loop Study Phase II	D017599	20.205	—	4,729,658
Ridgeway Avenue	D031733	20.205	—	3,352,075
Safe Routes to School	D032205	20.205	—	1,250
Lake Ave Merrill to Burley	D033366	20.205	—	2,254,815
AVL/ Weather Sensor ITS	D033478	20.205	—	47,909
Bicycle Trails	D033512	20.205	—	38,616
Winton Road North	D033808	20.205	—	8,070
Preventive Maintenance (Driving Park)	D033820	20.205	—	14,976
Dewey Driving Park	D034268	20.205	—	713,512
Asphalt Maint and Repair (East/University)	D034272	20.205	—	1,417,423
Preventive Maint (Crittenden)	D034800	20.205	—	52,870
Elmwood Ave / Collegetown Cycle Track	D034682	20.205	—	58,627
Asphalt Maint and Repair (Goodman/Main/University)	D034839	20.205	—	1,169,993
Asphalt Maint and Repair (Arnes/Buffalo)	D034872	20.205	—	818,059
Asphalt Maint and Repair (Arnett/GPB/Webster)	D034873	20.205	—	51,475
Main Street Streetscape and Ped. Wayfinding	D034908	20.205	—	275,262
Asphalt Maint and Repair (S. Goodman)	D034955	20.205	—	479,710
Asphalt Maint and Repair (Clifford/North/Ridge/Lyell)	D034960	20.205	—	552,308
Asphalt Maint and Repair (Browncroft/Merchants)	D034995	20.205	—	30,520
Mt. Hope Ave Phase 2	D035003	20.205	—	23,724
Preventive Maintenance (Driving Park over Genesee River)	D035068	20.205	—	917,901
Asphalt Maint and Repair (Hudson/St.Paul)	D035409	20.205	—	50,425
Asphalt Maint and Repair (Alexander/Scio)	D035465	20.205	—	76,841
Total Highway Planning and Construction Cluster			—	19,072,294
Child Passenger Safety Program 2017	PD-00102-(028)	20.613	—	458
DWI Crackdown Grant 2015-2016 (GTSC & County Pass Through)	G240500005.1516	20.600	—	1,928
DWI Crackdown Grant 2016-2017 (GTSC & County Pass Through)	G240500005.1617	20.600	—	2,206
Total Highway Safety Cluster			—	4,592
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Brownfield Grant Progam Income (EPA00 and EPA09)		66.818	—	44,379
Brownfield Grant EPA-13	BF97207700	66.818	—	37,190
Brownfield Grant EPA-14	BF97207800	66.818	—	42,734
Brownfield Grant EPA-16	XP-97229801	66.818	—	33,727
Brownfield Grant EPA-17	BF96282514	66.818	—	35,021
Brownfield Grant EPA-18	BF96290614	66.818	—	132,235
Brownfield Grant EPA-19	TR96278416	66.818	—	104,701
Brownfield Grant EPA-20	JT9627216	66.818	—	40,793
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Federal Pregnancy Prevention Grant Yr 2 of 3	5-TP1AH000046-05-02	93.297	511,816	1,082,191
Community Adolescent Pregnancy Prevention Yr 1	DOH01-C32108GG	93.994	—	25,819
Community Adolescent Pregnancy Prevention Yr 5 ext	C026968	93.778	92,856	101,752
Community Adolescent Pregnancy Prevention Yr 1	DOH01-C32108GG	93.778	—	83,756
Total Medicaid Cluster			92,856	185,508

THE CITY OF ROCHESTER, NEW YORK
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

Continued

	Grant Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
CORPORATION FOR NATIONAL & COMMUNITY SERVICE				
Americorps Yr 1 of 3 (PASS THROUGH - NYS Commission on National & Community Service)	C027778	94.006	—	125,803
Americorps Yr 2 of 3 (PASS THROUGH - NYS Commission on National & Community Service)	C027778	94.006	—	216,760
U.S. DEPARTMENT OF THE INTERIOR				
Historic Survey Map update (PASS THROUGH-NYS OPRHP)	T361504	15.904	—	43,811
U.S. DEPARTMENT OF HOMELAND SECURITY				
2014 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM14153741	97.067	—	54,419
2015 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM15153751	97.067	—	336
SLETPP-2014 (PASS THROUGH- NYS DHSES)	WM14153742	97.067	—	17,873
SLETPP-2015 (PASS THROUGH- NYS DHSES)	WM15153752	97.067	—	526
SLETPP-2016 (PASS THROUGH- NYS DHSES)	WM16153762	97.067	—	117,339
SHSP-2014 (PASS THROUGH- NYS DHSES)	WM14153740	97.067	—	37,387
SHSP-2015 (PASS THROUGH- NYS DHSES)	WM15153750	97.067	—	43,589
SHSP-2016 (PASS THROUGH- NYS DHSES)	WM16153760	97.067	—	10,454
TACTICAL TEAM 2015 (PASS THROUGH- NYS DHSES)	WM15163359	97.067	—	25,170
2015 Canine Explosive Detection Grant (PASS THROUGH- NYS DHSES)	WM15153759	97.067	—	5,288
U.S. DEPARTMENT OF EDUCATION				
PASS THROUGH (From NYS Dept. of Education) 21st Century Grant RASA	0187-17-6124	84.287	—	33,469
U.S. DEPARTMENT OF AGRICULTURE				
Summer Food Service (PASS THROUGH - NYS DOE)	36-079500	10.559	—	268,907
Total Child Nutrition Cluster			—	268,907
TOTAL CITY GRANTS			\$ 3,055,281	\$ 34,517,505

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 - BASIS OF ACCOUNTING

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 - 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 \$386,200 in the 2017 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 4 - INDIRECT COST RATE

The amount expended includes \$468,304 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, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
14.239	Home Program

Dollar threshold used to distinguish between type A and type B programs: \$ 1,035,525

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, 2017**

II. FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs related to the financial statement audit noted for the year ended June 30, 2017.

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, 2017.

THE CITY OF ROCHESTER, NEW YORK

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

I. FINANCIAL STATEMENT FINDINGS

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

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

STATE TRANSPORTATION AWARDS

**REPORT ON COMPLIANCE FOR NEW YORK STATE
DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH DRAFT PART 43 OF NYCRR**

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, 2017. The City's 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 requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state transportation assistance 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 preliminary Draft Part 43 of NYCRR. Those standards and regulations 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 programs 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, 2017.

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 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 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, 2017

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED JUNE 30, 2017**

	Grant Number	Current Year
STATE OF NEW YORK:		
DEPARTMENT OF TRANSPORTATION:		
Snow & Ice Control	D005375	\$ 72,601
Broad Street Bridge	D013824	689,236
Asphalt Maint and Repair (S. Goodman/S. Clinton)	D025863	385,685
Asphalt Maint and Repair (Goodman/Main)	D027485	16,249
Ridgeway Ave	D031733	672,315
Lake Avenue - Merrill	D033366	353,102
Winton Road North	D033808	35,184
Dewey/Driving Park realignment	D034268	133,784
Asphalt Maint and Repair (East/University)	D034272	304,793
Asphalt Maint and Repair (Crittenden)	D034800	8,814
Asphalt Maint and Repair (Goodman/Main)	D034839	262,592
Asphalt Maint and Repair (Arnett/GPB/Webster)	D034873	8,177
Asphalt Maint and Repair (S. Goodman)	D034955	89,947
Asphalt Maint and Repair (Clifford/Norton/Ridge)	D034960	105,197
Asphalt Maint and Repair (Browncroft/Merchants/Central)	D034995	7,627
Mt. Hope Ave. Phase 2	D035003	4,448
Driving Pk over Genesee Prev Maint	D035068	166,291
Consolidated Street & Highway Improvements		4,488,303
Total NYS DOT grants		<u>\$ 7,804,345</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO THE SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2017**

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.

