

THE CITY OF ROCHESTER, NEW YORK
Comprehensive Annual Financial Report
Year Ended June 30, 2018

Prepared by:
Department of Finance

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ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018
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INTRODUCTORY SECTION



City of Rochester

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Lovely A. Warren
Mayor

December 20, 2018

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, 2018. 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-four 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 2018 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 her entire staff. Their efforts over the past years toward upgrading the accounting and financial reporting systems of the City of Rochester have led to the improved quality of the information being reported to the City Council and the citizens of the City of Rochester.

Respectfully submitted,

Lovely A. Warren
Mayor





December 20, 2018

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, 2018. 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, have issued an unmodified ("clean") opinion on the City of Rochester's financial statements for the year ended June 30, 2018. 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 2017 census updates with a population currently estimated at 208,046. It is divided into 65,372 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 newly renovated Greater Rochester International Airport, with 19 non-stop destinations and major hubs with connections world-wide. 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, 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 29,300 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).

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, 2018, the Department of Neighborhood and Business Development's Business Development Department efforts resulted in 547 jobs retained and 250.5 jobs created, with a total business investment of \$28,671,000.

The unemployment rate for the Rochester area as of June 2018 was 4.3% compared to the national rate of 4.0% and the State rate of 4.5%.

Significant Announcements

The Rochester's Zagster bikeshare system that launched on July 20, 2017 returned to Rochester in April 2018 with the rebranded name of Pace and with new features. The stations are located in the same places as they were last year, centered on the downtown area and extend into neighborhoods in all directions. The system will shut down for winter on November 1, 2018 and re-launch for its second full season of service on April 1, 2019. The City will continue to work with Pace to expand the system and increase its accessibility to the residents and visitors of our city.

Last year we reported Eastman Business Park, which previously only was home to Eastman Kodak Company, was helping to accommodate growth and continue to be an essential part of economic development. We also reported that Eastman Business Park was 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 featuring a large mural of its founder George Eastman.

It is planned by the spring of 2020 construction on 17 mixed-use buildings will be completed in the Eastman Business Park. The plan is for 187 rental units of which 27 units will be for homeless young people, which will include on-site support services. The 17 mixed-use buildings also has plans for several commercial buildings.

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 Sibley 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 Certificates of Occupancy were issued December, 2017 for 72 units of senior affordable housing; Phase 2 involved the development of 104 units of market-rate housing with 21 affordable housing units. Certificates of Occupancy were also issued December, 2017. Phase 2 will continue with 104 units of workforce housing, planned to commence January, 2019 with a projected completion date of December, 2021; Phase 3 included the development of office space for NextCorps, formerly High Tech Rochester which is discussed below. The project is a critical component of Rochester's downtown revitalization and has attracted 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.

NextCorps original announcement 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 has since changed to NextCorps purchasing the entire 6th floor. New York State provided \$10 million for the project at the Sibley Building, and NextCorps 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. NextCorps now occupies its new space on the 6th floor of the historic Sibley Building.

Xerox Corporation: In October 2017, Xerox board of directors declared a quarterly cash dividend of \$0.25 per share on Xerox common stock and a quarterly cash dividend of \$20 per share on the outstanding Xerox Series B Convertible Perpetual Preferred Stock. Xerox remains as a publicly traded company focused on document management for a wide variety of industries. Headquartered in Norwalk, Connecticut, the company has offices in over 160 countries. Xerox has \$11 billion in revenue and 36,000 employees globally and 3,400 in Rochester. Cost reduction measures continue as part of Xerox restructuring.

Bausch & Lomb is now a Valeant Pharmaceuticals International, Inc. company, a leading global eye health organization that solely focuses on protecting, enhancing and restoring people's eyesight. Bausch and Lomb was founded in Rochester in 1853 as a small optical shop that grew to become a multi-billion dollar corporation. For 160 years Rochester served as its headquarters location. When Valeant acquired Bausch & Lomb, they moved the headquarters to New Jersey. Its core businesses include over-the-counter supplements, eye care products, ophthalmic pharmaceuticals, contact lenses, lens care products, ophthalmic surgical devices and instruments. Bausch & Lomb develops, manufactures and markets one of the most comprehensive product portfolios in the industry and has enjoyed success in these markets and with products available in more than 100 countries.

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.

Downtown Innovation Zone: Since the announcement in November 2014 of an area of downtown as the new Rochester Downtown Innovation Zone, the area has brought additional focus on the importance of this growing market segment to the future of Rochester. 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 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. VisualDx, a local medical high-tech company is expanding and adding jobs in the Downtown Innovation Zone. The firm will add 21 jobs in Rochester while retaining 39 others. The City and the Office of Innovation continue to be involved in seeking to bring additional incentives and amenities to the area.

Quality of Life

In a USA TODAY report, Rochester ranked number 19 out of 25 as one of the most innovative cities. The following are a few of the reasons Rochester deserves to be on the list. 1) Rochester is still a world leader in optics, photonics and imaging. 2) The talented and the young are staying in Rochester and thriving. 3) Innovative programs are making a positive impact on our economy.

NextCorps, University of Rochester, RIT's Venture Creations and Center for Urban Entrepreneurship, and Monroe County's Entrepreneurs Network all have one common goal. These organizations do not want Rochester to make "the most innovative cities" list solely for the number one technology patents it produces. They are working to make sure Rochester continues to be recognized as the birthplace of innovative companies that are making an impact on industry and on society.

Rochester continues to receive numerous national accolades. In the 2016 Metro Rankings Report, Rochester is Business Facilities top-ranked Innovation Hub. The American institute for Manufacturing Integrated Photonics (AIM Photonics) has been launched in Rochester which has become a world-class center for integrated photonics. Brookings rated Rochester as one of the top 20 economies in the nation. Rochester is recognized as one of the 25 most innovative cities in America. According to U.S. News & World Report, Rochester is one of the 20 Best Places to Live in the U.S. for Quality of Life. Forbes Magazine lists Rochester as the number one best place to buy a home. Rochester's health value is among the best in the country.

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 59,082 full time students enrolled in the fall of 2017.

University of Rochester. As of December 2017, the University was responsible for 26,905 full time 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. The Rochester arts community open their doors for visitors once a month to experience open houses and behind the scenes looks at galleries and studios all over the city. The artists, historians, dancers, actors, writers, and musicians who call Rochester home help create an atmosphere that stimulates creativity and celebrates diversity. Museums, galleries, theatres and attractions offer special events and experiences that delight visitors from all over the world. This is the unique cultural experiences visitors find in Rochester.

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 Knighthawks of the National Lacrosse League; the Rochester Razorsharks of the American Basketball 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.

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 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 \$4.7 billion for calendar 2017.

Waterfront Development

Port of Rochester: The Port of Rochester terminal building was renamed in honor of former Mayor Johnson. The terminal building was rededicated and the new name is now William A. Johnson, Jr. Terminal Building At the Port of Rochester. 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 has been amended to incorporate the elements of its most recent master planning process and the 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.

Redevelopment of the ferry link building into a boater services facility and a new welcome center has brought several amenities to the Marina. The following are a few of the amenities that the community enjoy:

- State-of-the-art dock system
- Showers/Restrooms/Laundry
- Boaters Lounge
- Wi-fi
- Gangway for secure access
- Pump-out station
- 4 Lane Public Launch Ramp
- Ships Store
- Large party space available for rental

The Port of Rochester Marina is professionally managed and has staff on-site to provide superior customer service. 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. 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.

ROC the Riverway: ROC the Riverway, a \$50 million State investment will consolidate more than two dozen transformative projects along the Genesee River under a single concept to achieve synergy and leverage the value of Rochester's riverfront. The prospective projects include the completion of the Genesee Riverway Trail through the Center City and a redesign of Charles Carroll Plaza and Genesee Crossroads Park. The plan also envisions significant upgrades to major riverfront facilities, including the Blue Cross Arena at the War Memorial; the Joseph A. Floreano Rochester Riverside Convention Center; and the Rundel Memorial Library building.

Revitalizing the Genesee River corridor will help fuel our local economy. RTR will serve as a major asset in attracting new jobs and solidifying our identity as a vibrant waterfront community. Cities around the world have discovered the tremendous power of great public spaces, bicycle/pedestrian-focused infrastructure, and water-oriented development in attracting employers and the next generation workforce.

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) launched Eat Up Rochester, a downtown marketing initiative which was a huge success. RDDC is in the fundraising phase for The Commissary, a major new facility designed to incubate food businesses (food trucks, startup restaurants, caterers, bakers, food production startups). Space design is complete, workshops have been underway for a year, and 150 food entrepreneurs have expressed interest in membership.

Downtown Innovation Zone (DIZ) – RDDC is now tracking 173 innovation and creative class enterprises. They are also working with leaders in the video game industry to create a video game development hub, virtual reality and artificial intelligence.

Advocacy – RDDC continues to aggressively engage in issues ranging from the parking system, infrastructure improvements, major public project design, public safety, activating street life, and the growth of the Downtown Innovation Zone.

A number of projects have been completed 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 has been completed. 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 commenced 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 began 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 was completed in the fall of 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 were completed 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 has brought a portion of the expressway to grade, reduced the width of the road, and created new vehicular, pedestrian, and bicycle connections

from the popular Alexander St. and Park Ave. neighborhoods into downtown. The project has also created significant ready-to-build development acreage in one of the region's most popular districts. Construction has commenced and was completed in 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 \$348.1 million, 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, 2019	
Residential Neighborhoods	\$351.6
Business Development	91.3
Urban Renewal Completion	19.1
Planning, Management and Administration	<u>\$ 69.4</u>
TOTAL	\$531.4

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, 2018 was \$5,700,000. 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, 2017. 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 2018 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.

The Mayor
Rochester, NY

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, under the leadership of Kathy Havens. 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,



Rosiland B. Harris
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, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF ROCHESTER, NEW YORK
MAYOR AND CITY COUNCIL OFFICIALS

June 30, 2018

Lovely A. Warren, Mayor

Loretta C. Scott (At-Large), President

Adam C. McFadden (South District), Vice President

Willie J. Lightfoot (At-Large)

Mitchell D. Gruber (At-Large)

Malik D. Evans (At-Large)

Jacklyn Ortiz (At-Large)

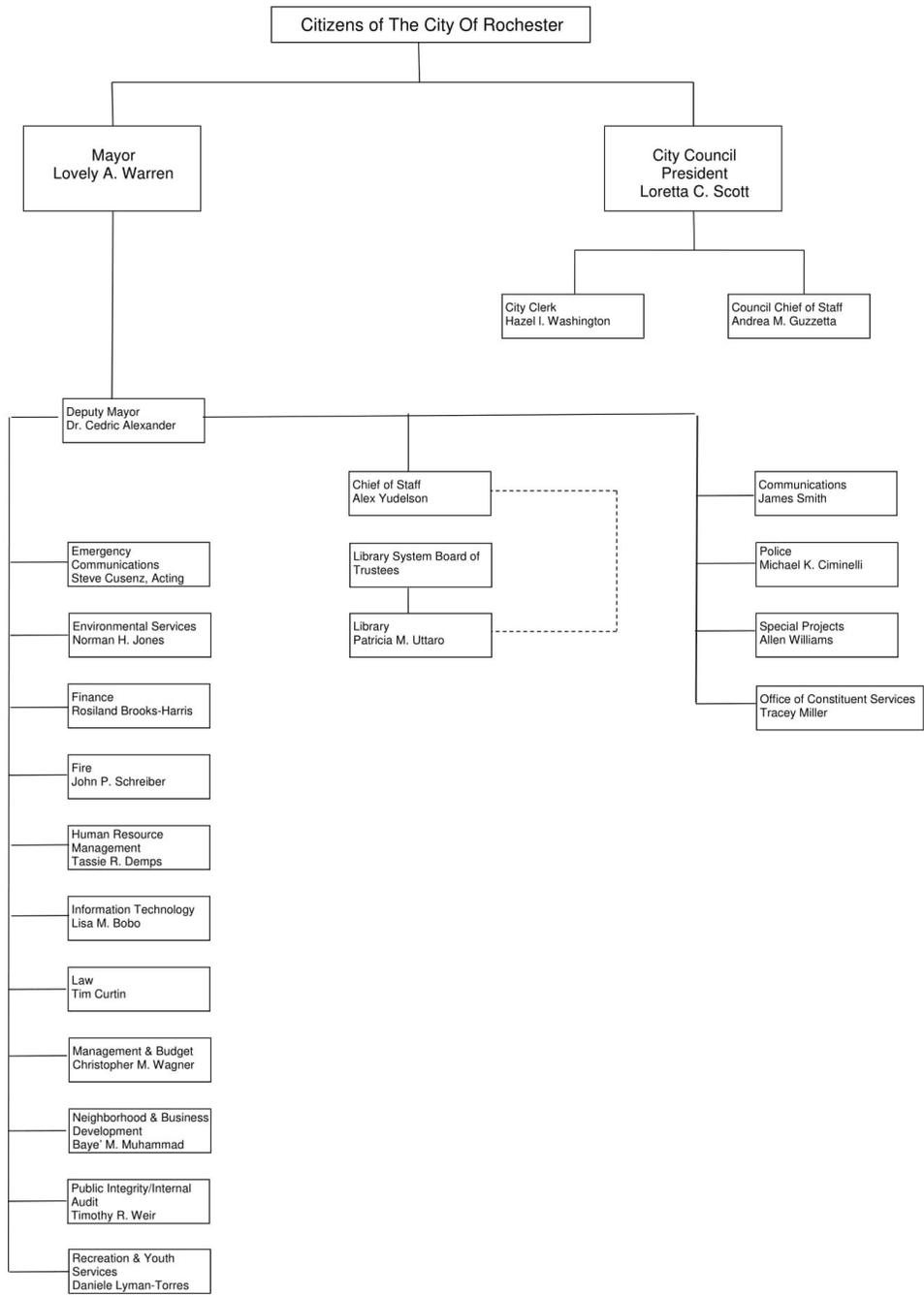
Adam C. McFadden (South District)

Jacklyn Ortiz (At-Large)

Molly Clifford (Northwest District)

Elaine M. Spaul (East District)

Michael A. Patterson (Northeast District)



**CITY OF ROCHESTER, NEW YORK
ORGANIZATIONAL UNITS AND OFFICIALS**

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	Sandra Simon
Constituent Services	Tracey Miller
Emergency Communications	Steve Cusenz, Acting
Environmental Services	Norman H. Jones
Finance	Rosalind Brooks-Harris
Fire	John P. Schreiber
Information Technology	Lisa M. Bobo
Law	Tim Curtin
Library	Patricia M. Uttaro
Neighborhood & Business Development	Baye M. Muhammad
Police	Mark Simmons
Recreation & Youth Services	Daniele Lyman-Torres

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As stated in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 nonmajor fund financial statements; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR; and the other information, such as the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statement; the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 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 20, 2018

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, 2018. 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, 2018.

Financial Highlights

- The liabilities and deferred inflows of the City exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$432,455 (net position).
- The City's total net position decreased by \$24,011.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$174,787, an increase of \$16,998 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,700.

The City's total outstanding debt decreased by \$12,660 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, 2018, 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$432,455 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 393,715	\$ 387,849	\$ 85,472	\$ 86,339	\$ 479,187	\$ 474,188
Capital assets	751,621	749,489	275,893	282,376	1,027,514	1,031,865
Total assets	1,145,336	1,137,338	361,365	368,715	1,506,701	1,506,053
Deferred pension outflow	98,594	79,425	2,309	1,628	100,903	81,053
Total deferred outflows of resources	98,594	79,425	2,309	1,628	100,903	81,053
Long-term liabilities outstanding	1,524,537	578,517	175,510	111,133	1,700,047	689,650
Other liabilities	200,467	211,821	41,960	45,258	242,427	257,079
Total liabilities	1,725,004	790,338	217,470	156,391	1,942,474	946,729
Deferred pension inflow	95,029	18,412	2,556	370	97,585	18,782
Total deferred inflows of resources	95,029	18,412	2,556	370	97,585	18,782
Net position:						
Net investment in capital assets	648,630	642,707	194,635	199,698	843,265	842,405
Restricted	58,170	40,619	13,122	9,442	71,292	50,061
Unrestricted (deficit)	(1,282,903)	(371,720)	(64,109)	2,084	(1,347,012)	(369,636)
Total Net Position	\$ (576,103)	\$ 311,606	\$ 143,648	\$ 211,224	\$ (432,455)	\$ 522,830
Adjustment of Net position (see note I.G.12)		\$ (870,973)		\$ (60,301)		\$ (931,274)
Total net position	\$ (576,103)	\$ (559,367)	\$ 143,648	\$ 150,923	\$ (432,455)	\$ (408,444)

The City's total net position decreased by \$24,011. As a result there is a decrease of \$16,736 in the net position of governmental activities and a decrease of \$7,275 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 \$16,736. 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 140,842	\$ 138,290	\$ 81,764	\$ 87,085	\$ 222,606	\$ 225,375
Operating grants and contributions	36,161	38,226	—	—	36,161	38,226
Capital grants and contributions	35,019	37,791	278	4,160	35,297	41,951
General revenues:						
Property taxes	159,165	154,506	2,890	3,366	162,055	157,872
Sales and other taxes	176,508	168,984	905	905	177,413	169,889
Governmental aid	99,677	101,269	77	60	99,754	101,329
Other	7,033	8,997	1,631	1,294	8,664	10,291
Total revenues	654,405	648,063	87,545	96,870	741,950	744,933
Expenses:						
General Government	145,574	177,758	—	—	145,574	177,758
Neighborhood business development	33,522	31,641	—	—	33,522	31,641
Environmental services	44,742	50,473	—	—	44,742	50,473
Transportation	36,007	24,743	—	—	36,007	24,743
Emergency communications	22,993	25,752	—	—	22,993	25,752
Police department	155,441	163,702	—	—	155,441	163,702
Fire department	82,995	87,741	—	—	82,995	87,741
Library	14,017	15,705	—	—	14,017	15,705
Recreation and youth services	17,935	19,039	—	—	17,935	19,039
Education	119,100	119,100	—	—	119,100	119,100
Interest on long term debt	4,032	4,295	—	—	4,032	4,295
Sewers	—	—	—	—	—	—
Water	—	—	35,973	34,549	35,973	34,549
Parking	—	—	15,115	29,238	15,115	29,238
War memorial	—	—	2,632	2,449	2,632	2,449
Refuse	—	—	30,777	29,986	30,777	29,986
Cemetery	—	—	3,264	3,522	3,264	3,522
Public market	—	—	1,842	2,012	1,842	2,012
Total expenses	676,358	719,949	89,603	101,756	765,961	821,705
Excess (deficiencies) of revenues over expenses	(21,953)	(71,886)	(2,058)	(4,886)	(24,011)	(76,772)
Transfers	5,217	5,374	(5,217)	(5,374)	—	—
Change in net position	(16,736)	(66,512)	(7,275)	(10,260)	(24,011)	(76,772)
Net position - beginning (as previously stated)	(559,367)	378,118	150,923	221,484	(408,444)	599,602
Adjustment of Net position (see note I.G. 12)		(870,973)		(60,301)		(931,274)
Net position - beginning (as restated)	(559,367)	(492,855)	\$ 150,923	161,183	\$ (408,444)	\$ (331,672)
Net position - ending	(576,103)	(559,367)	\$ 143,648	150,923	\$ (432,455)	(408,444)

Governmental activities revenue highlights

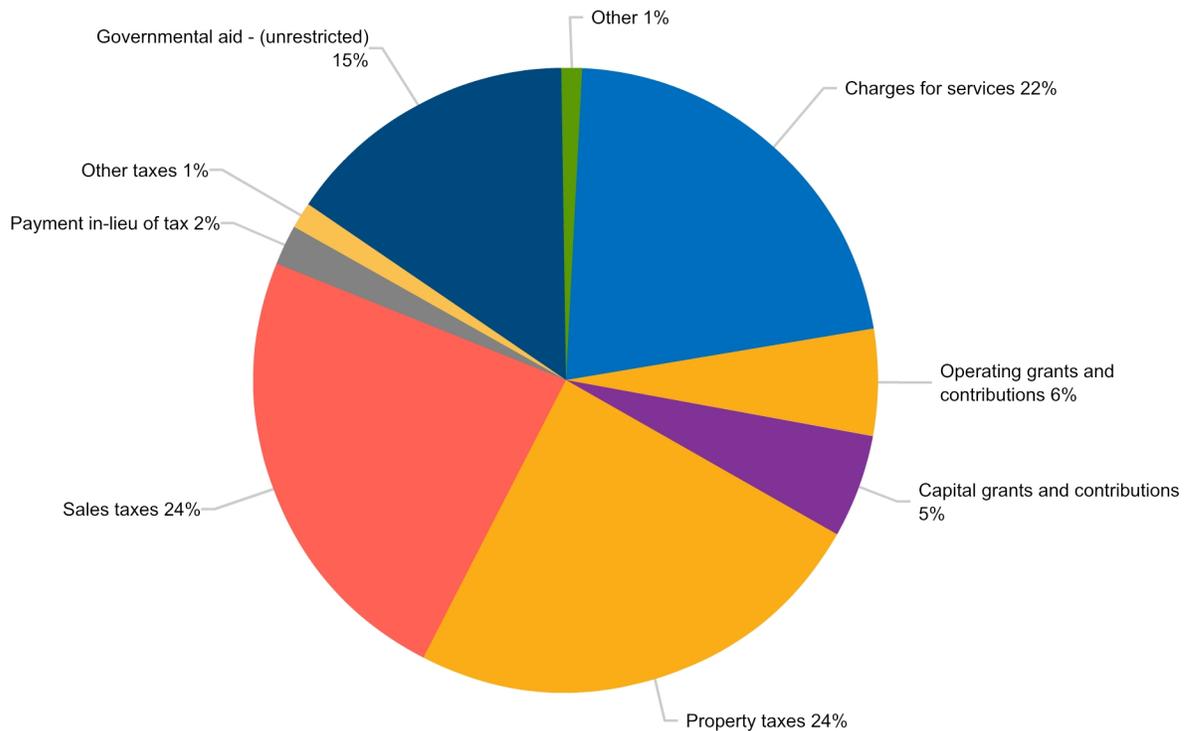
The major factors contributing to the overall revenue increase of \$6,342 were:

- Charges for services an increase of \$2,552, primarily due to an increase of \$3,233 in General Government; an increase of \$791 in Emergency Communications; an increase of \$56 in Library; an increase of \$372 in Environmental Services; and an increase of \$345 in Recreation & Youth Services; offset by a decrease of \$1,408 in Police; a decrease of \$337 in Neighborhood Business Development; a decrease of \$153 in Fire; a decrease of \$347 in Transportation;
- Property tax revenue increased by \$4,659 primarily due to an increase of \$2,773 in Real Property Tax Levy; ; an increase of \$60 in Animal Control ;an increase of \$543 in Lien Sale Delinquent Collections; an increase of \$1,772 in adjusting entries; and an increase of \$232 in library support; offset by a decrease of \$721 in Delinquent Collections
- Sales and other taxes an increase of \$7,524 primarily due to an increase of \$5,708 in Sales Tax and an increase of \$1,233 in Payment in-lieu of tax, and an increase of \$583 in Other Taxes;

The above increases of \$14,735 were offset by the following decreases which total \$8,393

- Operating grants and contributions decreased by \$2,065 primarily due to a decrease of \$6,027 in General Government; a decrease of \$57 in library; a decrease of \$64 in Environmental Services ; a decrease of \$1,075 in Police; and a decrease of \$335 in Recreation & Youth Services; offset by an increase of \$37 in Fire; an increase of \$3,226 in Transportation; and an increase of \$2,230 in Neighborhood Business Development;
- Capital grants and contributions had a decrease of \$2,772, primarily due to a decrease of \$10,773 in General Government and a decrease of \$245 in library; offset by an increase of \$315 in Neighborhood Business Development; an increase of \$3,941 in Environmental Services; an increase of \$25 in Police; an increase of \$1 in Fire and an increase of \$3,964 in transportation;
- Governmental aid decreased by \$1,592 primarily due to a decrease in several Federal and NYS Grants;
- Other decreased by \$1,964

Revenues by Source - Governmental Activities



Governmental activities expense highlights

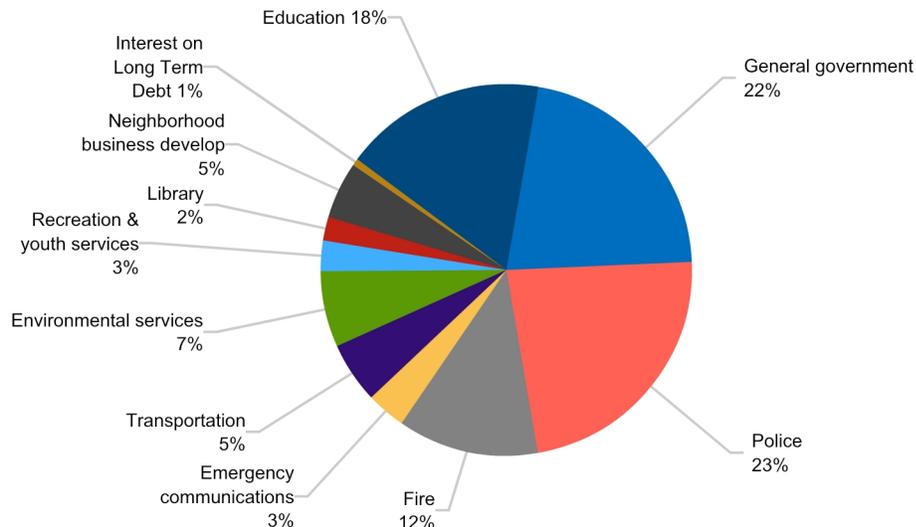
The major factors contributing to an overall decrease in governmental activities expenses of \$43,591 were as follows:

- Neighborhood and business development expenses increased by \$1,881 due to an increase of \$677 in General; an increase of \$47 in Other; an increase of \$2,672 in Community Development; and an increase of \$58 in State Projects; offset by a decrease of \$340 in Federal Projects; a decrease of \$1,099 in adjusting entries; a decrease of \$8 in Economic Assistance; and a decrease of \$126 in General fund;
- Transportation expenses increased \$11,264 primarily due to an increase of \$12,750 in adjusting entries and \$1,530 in Transportation; offset by a decrease of \$22 in Other; a decrease of \$113 in General Fund; and a decrease of \$2,881 General;

The above increases which total \$13,145 were offset by the below decreases of \$56,736 as follows:

- General government expenses decreased by \$32,184 due to an increase of \$3,927 in General fund; an increase of \$46 in Animal Control; an increase of \$125 in Library; and an increase of \$797 in Local Works, offset by a decrease of \$15,545 in General; a decrease of \$27 in Other; a decrease of \$18,471 in adjusting entries a decrease of \$141 in Community Development; a decrease of \$1,594 in Debt Service; and a decrease of \$1,301 in Transportation
- Police expenses decreased by \$8,261 primarily due to an increase of \$1,312 in General fund; an increase of \$60 in Animal Control; offset by a decrease of \$99 in State Projects; a decrease of \$9,437 in Adjusting Entries ; and a decrease of \$97 in General;
- Fire expenses decreased \$4,746 primarily due to an increase of \$645 in General fund; an increase of \$413 in General; and an increase of \$444 in State Projects; offset by a decrease of \$6,248 in adjusting entries;
- Emergency communications expenses decreased \$2,759 due to an increase of \$77 in General Fund offset by a decrease of \$2,836 in adjustments;
- Environmental services expenses decreased by \$5,731 primarily due to an increase of \$849 in Local Works; an increase of \$1 in other; and an increase of \$329 in Transportation; offset by a decrease of \$15 in State Projects; a decrease of \$475 in General; a decrease of \$6,077 in adjusting entries, and a decrease of \$339 in General Fund;
- Library expenses decreased by \$1,688 primarily due to a decrease of \$545 in Cultural/Recreation; a decrease of \$920 in adjusting entries; and a decrease of \$223 in Library;
- Recreation and youth services expenses decreased \$1,104 primarily due to an increase of \$88 in General; an increase of \$63 in Other; an increase of \$354 in General Fund; and an increase of \$603 in Cultural/Recreation; offset by a decrease of \$147 in Federal Projects and a decrease of \$2,065 in Adjusting Entries;
- Interest on long term debt expenses decreased by \$263 primarily due to a decrease of \$409 in General and a decrease of \$9 in Library; offset by an increase of \$28 in Local Works and an increase of \$127 in Adjusting Entries;

Expenses by Source - Governmental Activities



Business-type activities revenue highlights

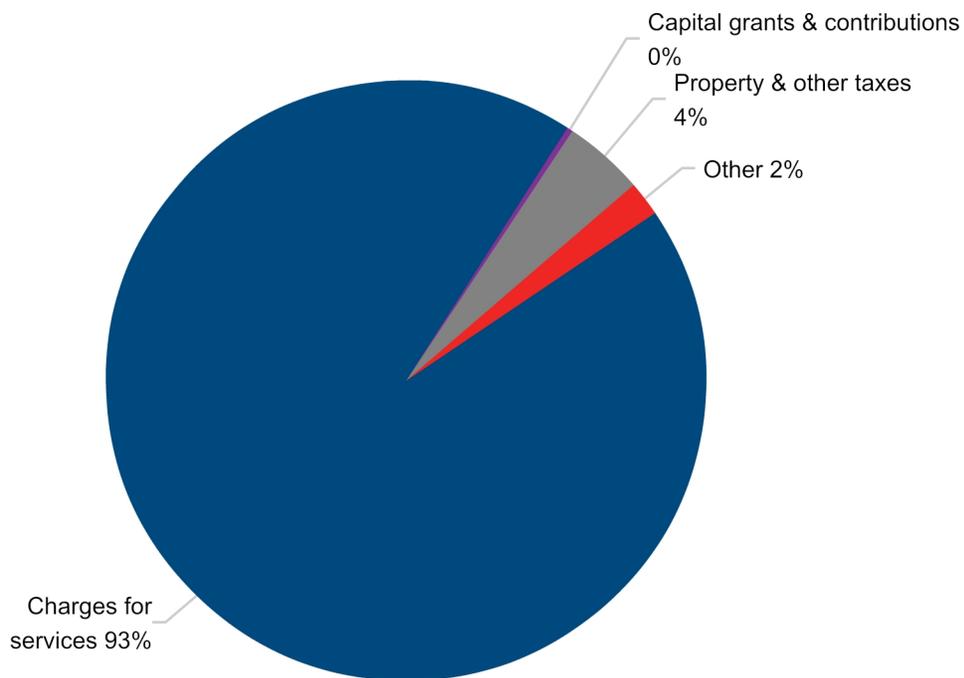
Revenues for business-type activities showed an overall decrease of \$9,325.

- Charges for services decreased by \$5,321 primarily due to a decrease of \$136 in Cemetery; a decrease of \$5,455 in Parking as the previous fiscal year had sale of the midtown garage; a decrease of \$804 in War Memorial; offset by an increase of \$211 in Public Market; an increase of \$729 in Refuse; and an increase of \$134 in Water;
- Capital grants and contributions decreased by \$3,882 primarily due to a decrease of \$3,899 in Public Market as the prior year completion of the new building; offset by an increase \$17 in Parking
- Property taxes decreased by \$476 primarily due to a decrease of \$253 in War Memorial and a decrease of \$223 in cemetery;

The above revenue decreases of \$9,679 were offset by the below increases of \$354 as follows:

- Governmental aid increased by \$17 due to an increase of \$70 in Water;
- Investment earnings increased by \$73;
- Other miscellaneous increased by \$264;

Revenues by Source - Business-Type Activities



Business-type activities expense highlights.

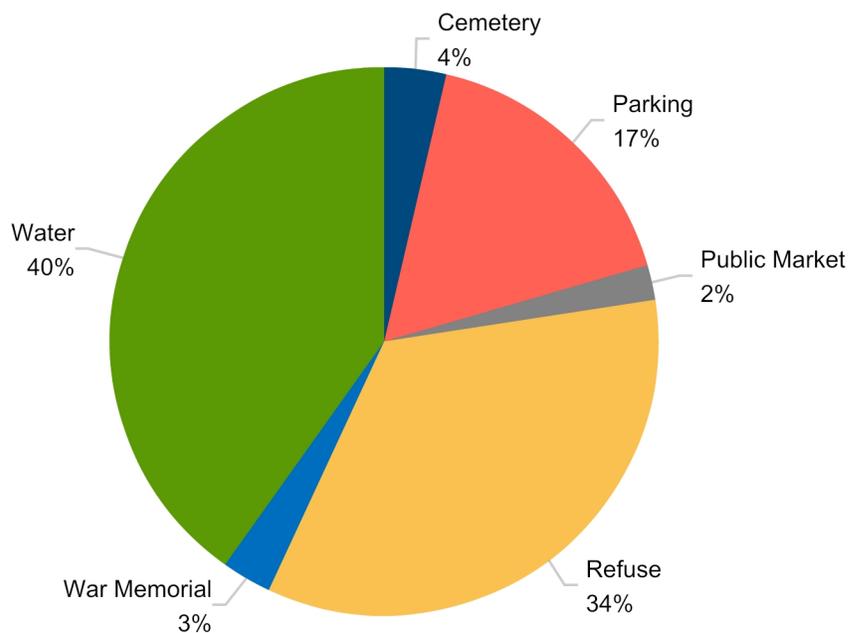
The net decrease in business-type activities expenses were \$12,153:

- Water fund expenses increased by \$1,424 from an increase in water pipe maintenance;
- War memorial expenses increased by \$183;
- Refuse expenses increased by \$791;

The above increases which total \$2,398 were partially offset by decreases of \$14,551 as follows:

- Cemetery fund expenses decreased by \$258;
- Parking fund expenses decreased by \$14,123 as the prior fiscal year had marked the finish of several garage upgrade projects;
- Public market fund expenses decreased by \$170;

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 \$174,787, an increase of \$16,998 in comparison with the prior year. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to \$15,251. The committed portion of fund balance is reported in the amount of \$95,427 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 \$64,172 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 (\$63) 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 \$37,731, unassigned fund balance was \$5,700, and total fund balance reached was \$91,305. Assigned and unassigned fund balance total to a combined amount of \$43,431. The fund balance of the City's general fund increased \$702 in assigned fund balance and an increase of \$30 in unassigned fund balance.

Debt service fund. The debt service fund has a total fund balance of \$17,578, of which \$5,063 is restricted and \$12,515 is assigned for the payment of debt service. The fund balance decreased by \$3,290 during the current fiscal year. The major factors contributing to the decrease was a decrease of \$3,747 in assigned fund balance and an increase of \$457 in restricted 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 \$34,809, of this \$34,780 was committed and \$29 was assigned. The fund balance of the City's general capital projects fund increased by \$6,631. The major factors contributing to the increase was an increase of \$6,641 in committed capital projects and a decrease of \$10 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 \$12,883 in transportation capital projects because of a \$12,883 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 \$7,791. The fund balance increased by \$645. The major factors contributing to the increase was a \$236 increase in restricted community development and an increase of \$409 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 \$143,648. The change in net position between 2017 and 2018, which totaled a decrease of \$7,275 consisted of the following: the Water fund decreased by \$641, the Parking fund decreased by \$2,894, the War Memorial fund decreased by \$368, the Refuse fund decreased by \$2,096, the Cemetery fund decreased by \$549, and the Public Market fund decreased by \$727.

Unrestricted net position of the proprietary funds, which totaled \$(64,109) at year end, breakdown as follows: Water — (\$22,299), Parking — \$112, War Memorial — (\$477), Refuse — (\$37,722), Cemetery — (\$3,358), and Public Market — (\$365).

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 \$43,737, an increase of \$2,759 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, 2018, amounted to \$1,027,514 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 24,519	\$ 24,519	\$ 10,539	\$ 10,539	\$ 35,058	\$ 35,058
Buildings	126,046	131,393	103,232	101,731	229,278	233,124
Machinery, equipment, and vehicles	34,245	35,734	10,797	11,573	45,042	47,307
Improvements other than buildings	55,140	57,737	150,026	152,285	205,166	210,022
Infrastructure	500,534	493,607	—	—	500,534	493,607
Construction in progress	11,137	6,499	1,299	6,248	12,436	12,747
Total	\$ 751,621	\$ 749,489	\$ 275,893	\$ 282,376	\$ 1,027,514	\$ 1,031,865

Long-term debt. On June 30, 2018 the City's outstanding debt was \$210,183. This was a decrease of \$12,660 from the prior year. A decrease of \$7,490 in the governmental activities funds and a decrease of \$5,170 in the business-type activities funds.

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 97,307	\$ 85,018	\$ 72,566	\$ 72,073	\$ 169,873	\$ 157,091
Bond anticipation notes	21,574	41,353	18,736	24,400	40,310	65,753
Total	\$ 118,881	\$ 126,371	\$ 91,302	\$ 96,473	\$ 210,183	\$ 222,844

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 URMIC 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, 2018 (000's Omitted)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School District	Land Bank
ASSETS					
Cash and cash equivalents	\$ 179,527	\$ 62,921	\$ 242,448	\$ 112,396	\$ 1,023
Investments	18,943	2,500	21,443	—	—
Receivables (net of allowance for uncollectibles)					
Accounts	73,920	22,143	96,063	3,339	—
Taxes	9,712	—	9,712	—	—
Due from other governments	80,886	469	81,355	59,876	3
Due from component units	879	—	879	—	—
Inventory	—	—	—	444	—
Prepaid expense	—	—	—	611	—
Cash and cash equivalents - restricted	16,635	10,646	27,281	28,172	—
Due from other governments - restricted	—	6	6	—	—
Interfund balances	13,213	(13,213)	—	—	—
Long term pension asset	—	—	—	12,287	—
Capital assets (net of accumulated depreciation)					
Land	24,519	10,539	35,058	17,349	—
Buildings	126,046	103,232	229,278	506,362	—
Machinery, equipment, and vehicles	34,245	10,797	45,042	11,961	—
Improvements other than buildings	55,140	150,026	205,166	—	—
Infrastructure	500,534	—	500,534	—	—
Construction in progress	11,137	1,299	12,436	200,724	—
Total assets	<u>1,145,336</u>	<u>361,365</u>	<u>1,506,701</u>	<u>953,521</u>	<u>1,026</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflow	98,594	2,309	100,903	190,850	—
Deferred charge on refunding, net of amortization	—	—	—	1,401	—
Deferred OPEB outflow	—	—	—	21,185	—
Total deferred outflows of resources	<u>98,594</u>	<u>2,309</u>	<u>100,903</u>	<u>213,436</u>	<u>—</u>
LIABILITIES					
Accounts payable and other accrued liabilities	66,768	7,095	73,863	108,471	13
Retainages payable	745	601	1,346	5,595	—
Accrued interest payable	1,714	1,442	3,156	—	—
Bond anticipation notes payable	21,574	18,736	40,310	47,758	—
Due to other governments	30,331	692	31,023	9,946	—
Due to component units	924	—	924	—	120
Due to retirement systems	—	—	—	29,638	—
Unearned revenue	56,315	489	56,804	3,082	—
Noncurrent liabilities:					
Due within one year	22,096	12,905	35,001	57,045	—
Due in more than one year	1,524,537	175,510	1,700,047	1,343,185	—
Total liabilities	<u>1,725,004</u>	<u>217,470</u>	<u>1,942,474</u>	<u>1,604,720</u>	<u>133</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflow	95,029	2,556	97,585	58,339	—
Total deferred inflows of resources	<u>95,029</u>	<u>2,556</u>	<u>97,585</u>	<u>58,339</u>	<u>—</u>
NET POSITION					
Net investment in capital assets	648,630	194,635	843,265	265,897	—
Restricted for:					
Capital projects	32,086	9,920	42,006	—	—
Debt service	18,293	3,202	21,495	8,416	—
Community development	7,791	—	7,791	—	—
Revolving loan program	—	—	—	100	—
Unrestricted (deficit)	(1,282,903)	(64,109)	(1,347,012)	(770,515)	893
Total net position	<u>\$ (576,103)</u>	<u>\$ 143,648</u>	<u>\$ (432,455)</u>	<u>\$ (496,102)</u>	<u>\$ 893</u>

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

CITY OF ROCHESTER, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (000'S) Omitted

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School District	Land Bank
Primary government:									
Governmental activities:									
General government	\$ 145,574	\$ 83,268	\$ 1,002	\$ 3,321	\$ (57,983)	\$ —	\$ (57,983)	\$ —	\$ —
Neighborhood business development	33,522	5,653	18,884	365	(8,620)	—	(8,620)	—	—
Environmental services	44,742	21,059	464	5,854	(17,365)	—	(17,365)	—	—
Transportation	36,007	1,045	4,082	25,453	(5,427)	—	(5,427)	—	—
Emergency	22,993	18,060	—	—	(4,933)	—	(4,933)	—	—
Police department	155,441	5,018	2,221	25	(148,177)	—	(148,177)	—	—
Fire department	82,995	2,646	619	1	(79,729)	—	(79,729)	—	—
Library	14,017	2,585	7,670	—	(3,762)	—	(3,762)	—	—
Recreation and youth	17,935	1,508	1,219	—	(15,208)	—	(15,208)	—	—
Education	119,100	—	—	—	(119,100)	—	(119,100)	—	—
Interest on long term debt	4,032	—	—	—	(4,032)	—	(4,032)	—	—
Total governmental activities	<u>676,358</u>	<u>140,842</u>	<u>36,161</u>	<u>35,019</u>	<u>(464,336)</u>	<u>—</u>	<u>(464,336)</u>	<u>—</u>	<u>—</u>
Business-type activities:									
Water	35,973	39,156	—	243	—	3,426	3,426	—	—
Parking	15,115	11,578	—	17	—	(3,520)	(3,520)	—	—
War Memorial	2,632	128	—	—	—	(2,504)	(2,504)	—	—
Refuse	30,777	28,572	—	—	—	(2,205)	(2,205)	—	—
Cemetery	3,264	1,395	—	—	—	(1,869)	(1,869)	—	—
Public Market	1,842	935	—	18	—	(889)	(889)	—	—
Total business-type	<u>89,603</u>	<u>81,764</u>	<u>—</u>	<u>278</u>	<u>—</u>	<u>(7,561)</u>	<u>(7,561)</u>	<u>—</u>	<u>—</u>
Total primary	<u>765,961</u>	<u>222,606</u>	<u>36,161</u>	<u>35,297</u>	<u>(464,336)</u>	<u>(7,561)</u>	<u>(471,897)</u>	<u>—</u>	<u>—</u>
Component units:									
School District	\$ 896,196	\$ 2,631	\$ 122,653	\$ —				(770,912)	—
Land Bank	537	—	933	—				—	397
Total component units	<u>\$ 896,733</u>	<u>\$ 2,631</u>	<u>\$ 123,586</u>	<u>\$ —</u>				<u>(770,912)</u>	<u>397</u>
General revenues:									
Property taxes					159,165	2,890	162,055	—	—
Sales taxes					153,971	—	153,971	—	—
Payment in-lieu of tax					13,600	—	13,600	—	—
Other taxes					8,937	905	9,842	—	—
Governmental aid - (unrestricted)					99,677	77	99,754	642,464	—
Investment earnings					1,831	398	2,229	1,893	—
Allocation to school district - (unrestricted)					—	—	—	119,100	—
Miscellaneous					5,202	1,233	6,435	6,900	88
Transfers					5,217	(5,217)	—	—	—
Total general revenues and transfers					<u>447,600</u>	<u>286</u>	<u>447,886</u>	<u>770,357</u>	<u>88</u>
Change in net position					(16,736)	(7,275)	(24,011)	(555)	485
Net position - beginning					311,606	211,224	522,830	78,595	408
Restatement of Net position - (see note I.G.12)					(870,973)	(60,301)	(931,274)	(574,142)	—
Net position - beginning as restated					<u>(559,367)</u>	<u>150,923</u>	<u>(408,444)</u>	<u>(495,547)</u>	<u>408</u>
Net position - ending					<u>\$ (576,103)</u>	<u>\$ 143,648</u>	<u>\$ (432,455)</u>	<u>\$(496,102)</u>	<u>\$ 893</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, 2018 (000's Omitted)

	General	Capital Projects		Special Revenue	Total Nonmajor Funds	Total Governmental Funds
		General	Transportation	Community Development		
ASSETS						
Cash and cash equivalents	\$ 83,932	\$ 18	\$ —	\$ 10,059	\$ 48,840	\$ 142,849
Investments	—	—	—	—	4,945	4,945
Receivables (net of allowance for uncollectibles)						
Accounts	2,176	11	—	70,144	812	73,143
Taxes	11,117	—	—	—	321	11,438
Due from other funds	58,199	62,273	16,518	2	2,715	139,707
Due from other governments	47,124	16,127	2,666	655	3,564	70,136
Due from component units	877	2	—	—	—	879
Cash and cash equivalents - restricted	—	3,309	5,323	—	8,003	16,635
Total assets	<u>\$203,425</u>	<u>\$ 81,740</u>	<u>\$ 24,507</u>	<u>\$ 80,860</u>	<u>\$ 69,200</u>	<u>\$ 459,732</u>
LIABILITIES						
Accounts payable and other accrued liabilities	\$ 24,365	\$ 5,547	\$ 4,822	\$ 1,289	1,824	\$ 37,847
Bond anticipation notes payable	—	7,562	12,143	—	1,869	21,574
Due to other funds	65,808	33,820	12,385	642	18,564	131,219
Due to other governments	11,713	—	—	18,116	503	30,332
Due to component units	207	2	—	—	715	924
Unearned revenue	10,027	—	—	53,022	—	63,049
Total liabilities	<u>112,120</u>	<u>46,931</u>	<u>29,350</u>	<u>73,069</u>	<u>23,475</u>	<u>284,945</u>
FUND BALANCES (DEFICIT)						
Restricted	—	—	—	3,477	11,774	15,251
Committed	47,874	34,780	—	4,314	8,459	95,427
Assigned	37,731	29	—	—	26,412	64,172
Unassigned (deficit)	5,700	—	(4,843)	—	(920)	(63)
Total fund balances (deficit)	<u>91,305</u>	<u>34,809</u>	<u>(4,843)</u>	<u>7,791</u>	<u>45,725</u>	<u>174,787</u>
Total liabilities and fund balances	<u>\$203,425</u>	<u>\$ 81,740</u>	<u>\$ 24,507</u>	<u>\$ 80,860</u>	<u>\$ 69,200</u>	<u>\$ 459,732</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, 2018 (000's Omitted)

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

Total fund balances of governmental funds	\$ 174,787
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	751,621
Accrual of property and sales taxes to qualify as financial resources	15,758
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.	43,737
Accrual of interest on bonds and notes payable	(1,714)
Accrual of Medicare Part D revenue	601
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:	
Retainage liability	(745)
Bonds payable	(87,736)
Premium liability	(9,571)
Compensated absences	(17,080)
Workers' compensation	(13,195)
OPEB liability	(1,383,140)
NYS Canal lease liability	(91)
Pollution remediation liability	(5,447)
Pension amortization liability	(5,486)
Net pension liability	(41,967)
Net deferred inflows and outflows	<u>3,565</u>
Net position of governmental activities	<u>\$ (576,103)</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, 2018 (000's Omitted)**

	Capital Projects			Special Revenue	Total Nonmajor Funds	Total Governmental Funds
	General	General	Transportation	Community Development		
REVENUES						
Real property tax	\$ 153,026	—	—	—	8,205	\$ 161,231
Sales tax	153,510	—	—	—	—	153,510
Other taxes	22,537	—	—	—	—	22,537
Departmental	24,003	—	—	—	23,153	47,156
Use of money and property	286	—	—	—	615	901
Licenses and permits	3,496	—	—	—	—	3,496
Federal aid	1,721	14,265	9,124	15,526	1,565	42,201
State aid	100,336	5,275	7,564	—	2,340	115,515
Local sources and other	23,920	1,546	1,011	2,186	8,839	37,502
Total revenues	<u>482,835</u>	<u>21,086</u>	<u>17,699</u>	<u>17,712</u>	<u>44,717</u>	<u>584,049</u>
EXPENDITURES						
Current:						
General government	143,012	—	—	—	8,498	151,510
Neighborhood business development	6,690	—	—	17,067	590	24,347
Environmental services	21,251	—	—	—	12,415	33,666
Transportation	4,267	—	—	—	107	4,374
Emergency communications	13,520	—	—	—	—	13,520
Police department	92,984	—	—	—	2,131	95,115
Fire department	50,015	—	—	—	760	50,775
Library	—	—	—	—	11,629	11,629
Recreation and youth services	10,027	—	—	—	816	10,843
Education	119,100	—	—	—	—	119,100
Debt service:						
Principal retirement	13,921	—	—	—	505	14,426
Interest	3,807	—	—	—	202	4,009
Administrative charges	4	—	—	—	—	4
Capital outlay:						
General government	—	24,279	2,071	—	—	26,350
Neighborhood business development	—	748	—	—	10	758
Environmental services	—	468	349	—	—	817
Transportation	—	15,472	19,373	—	—	34,845
Police department	—	16	—	—	—	16
Fire department	—	587	—	—	—	587
Library	—	92	—	—	510	602
Recreation and youth services	—	133	—	—	1,469	1,602
Total expenditures	<u>478,598</u>	<u>41,795</u>	<u>21,793</u>	<u>17,067</u>	<u>39,642</u>	<u>598,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,237</u>	<u>(20,709)</u>	<u>(4,094)</u>	<u>645</u>	<u>5,075</u>	<u>(14,846)</u>
OTHER FINANCING SOURCES (USES)						
Premium on bond issued	—	—	—	—	1,876	1,876
Issuance of debt	—	9,845	14,941	—	1,047	25,833
Transfers in	19,416	17,845	7,233	—	876	45,370
Transfers out	(22,882)	(350)	(5,197)	—	(12,806)	(41,235)
Total other financing sources (uses)	<u>(3,466)</u>	<u>27,340</u>	<u>16,977</u>	<u>—</u>	<u>(9,007)</u>	<u>31,844</u>
Net change in fund balances	771	6,631	12,883	645	(3,932)	16,998
Fund balances (deficit) - beginning	90,534	28,178	(17,726)	7,146	49,657	157,789
Fund balances (deficit) - ending	<u>\$ 91,305</u>	<u>\$ 34,809</u>	<u>\$ (4,843)</u>	<u>\$ 7,791</u>	<u>\$ 45,725</u>	<u>\$ 174,787</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, 2018 (000's Omitted)

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

Net change in fund balances - total governmental funds	\$ 16,998
Change in net position of internal service fund reported in governmental activities	2,759
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Governmental funds report capital outlays of \$31,852 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 \$29,720. This is the amount by which capital outlays exceeded depreciation in the current period.	2,132
Change in accrual of interest payable on notes and bonds payable	(23)
Change in accrual of unrestricted governmental aid	(71)
Change in accrual of property tax	(2,065)
Change in accrual of sales tax	461
Change in pollution remediation liability	424

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	(11,407)
Premium liability	(881)
OPEB expense is not reported in the governmental funds.	(26,109)
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	2,613
Compensated absences	235
Retirement amortization	983
Net pension expense and net deferred outflow and inflows	(3,009)
Retainage	133
Change in net position of governmental activities	<u><u>\$ (16,736)</u></u>

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018 (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	\$ 28,036	\$ 7,699	\$ 1,604	\$ 21,849	\$ 2,383	\$ 1,350	\$ 62,921	\$ 36,678	
Investments	—	2,500	—	—	—	—	2,500	13,998	
Receivables (net of allowance for uncollectibles)	13,916	4,617	—	3,188	422	—	22,143	176	
Due from other funds	147	191	390	696	165	24	1,613	6,017	
Due from other governments	243	—	226	—	—	—	469	—	
Cash and equivalents - restricted	7,461	2,632	44	161	167	181	10,646	—	
Due from other governments - restricted	6	—	—	—	—	—	6	—	
Total current assets	49,809	17,639	2,264	25,894	3,137	1,555	100,298	56,870	
Noncurrent assets:									
Capital assets:									
Land	572	8,916	165	30	139	717	10,539	—	
Buildings	46,259	113,847	45,752	508	7,934	11,507	225,807	—	
Machinery, equipment, and vehicles	8,391	3,269	6,608	23,206	2,013	182	43,669	—	
Improvements other than buildings	289,494	2,054	60	672	4,151	3,186	299,617	—	
Construction in progress	440	828	21	2	8	—	1,299	—	
Less accumulated depreciation	(174,480)	(74,617)	(28,685)	(18,107)	(5,272)	(3,877)	(305,038)	—	
Total noncurrent assets	170,676	54,297	23,921	6,311	8,973	11,715	275,893	—	
Total assets	220,485	71,936	26,185	32,205	12,110	13,270	376,191	56,870	
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows of resources - pension	1,005	279	—	873	111	41	2,309	—	
Total deferred outflows of resources	1,005	279	—	873	111	41	2,309	—	
Total assets and deferred outflows of resources	\$ 221,490	\$ 72,215	\$ 26,185	\$ 33,078	\$ 12,221	\$ 13,311	\$ 378,500	\$ 56,870	
LIABILITIES									
Current liabilities:									
Accounts payable and other accrued liabilities	\$ 2,638	\$ 1,260	\$ 168	\$ 2,698	\$ 190	\$ 141	\$ 7,095	\$ 11,841	
Retainage payable	268	331	—	2	—	—	601	—	
Accrued interest payable	886	344	114	—	11	87	1,442	—	
Workers' compensation, current portion	362	45	—	1,787	10	3	2,207	—	
Bond anticipation notes payable	9,687	4,723	—	—	—	4,326	18,736	—	
Bonds payable	6,537	3,108	936	—	101	16	10,698	—	
Due to other funds	8,871	1,387	280	3,637	505	146	14,826	1,292	
Due to other governments	312	71	—	263	33	13	692	—	
Unearned revenue	—	73	—	—	416	—	489	—	
Total current liabilities	29,561	11,342	1,498	8,387	1,266	4,732	56,786	13,133	
Noncurrent liabilities:									
Workers' compensation	1,030	128	—	5,086	30	7	6,281	—	
Bonds payable	40,569	13,267	7,159	—	633	241	61,869	—	
Due to other governments	277	71	—	233	29	11	621	—	
OPEB liability	47,436	10,691	140	42,119	4,307	1,202	105,895	—	
Net pension liability	342	133	—	337	25	7	844	—	
Total noncurrent liabilities	89,654	24,290	7,299	47,775	5,024	1,468	175,510	—	
Total liabilities	119,215	35,632	8,797	56,162	6,290	6,200	232,296	13,133	
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows of resources - pension	1,129	271	—	960	143	53	2,556	—	
Total deferred inflows of resources	1,129	271	—	960	143	53	2,556	—	
NET POSITION									
Net investment in capital assets	121,076	35,501	15,869	6,470	8,406	7,313	194,635	—	
Restricted for:									
Capital projects	—	—	1,996	7,208	716	—	9,920	—	
Debt service	2,369	699	—	—	24	110	3,202	—	
Health insurance	—	—	—	—	—	—	—	30,368	
Unrestricted (deficit)	(22,299)	112	(477)	(37,722)	(3,358)	(365)	(64,109)	13,369	
Total net position	101,146	36,312	17,388	(24,044)	5,788	7,058	143,648	43,737	
Total liabilities, deferred inflows of resources and net position	\$ 221,490	\$ 72,215	\$ 26,185	\$ 33,078	\$ 12,221	\$ 13,311	\$ 378,500	\$ 56,870	

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, 2018 (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	\$ 39,156	\$ 11,578	\$ 128	\$ 28,572	\$ 1,395	\$ 935	\$ 81,764	\$ 70,996
Total operating revenues	<u>39,156</u>	<u>11,578</u>	<u>128</u>	<u>28,572</u>	<u>1,395</u>	<u>935</u>	<u>81,764</u>	<u>70,996</u>
OPERATING EXPENSES								
Personal services	7,360	1,824	—	6,814	1,105	318	17,421	—
Supplies and materials	12,876	7,796	1,192	13,175	916	626	36,581	—
Employee benefits	6,293	1,509	49	9,270	631	149	17,901	—
Claims settlement	—	—	—	—	—	—	—	69,359
Depreciation	7,841	3,220	965	1,518	593	652	14,789	—
Total operating expenses	<u>34,370</u>	<u>14,349</u>	<u>2,206</u>	<u>30,777</u>	<u>3,245</u>	<u>1,745</u>	<u>86,692</u>	<u>69,359</u>
Operating income (loss)	<u>4,786</u>	<u>(2,771)</u>	<u>(2,078)</u>	<u>(2,205)</u>	<u>(1,850)</u>	<u>(810)</u>	<u>(4,928)</u>	<u>1,637</u>
NONOPERATING REVENUES (EXPENSES)								
Real property tax	—	299	1,228	—	1,267	96	2,890	—
Other taxes	—	—	905	—	—	—	905	—
Interest and penalties	919	219	—	—	7	—	1,145	—
Interest on investments	189	85	2	34	22	66	398	39
Federal aid	3	2	—	—	—	—	5	—
State aid	72	—	—	—	—	—	72	—
Local sources and other	53	—	—	12	24	—	89	—
Interest expense	(1,603)	(766)	(426)	—	(19)	(97)	(2,911)	—
Total nonoperating revenues (expenses)	<u>(367)</u>	<u>(161)</u>	<u>1,709</u>	<u>46</u>	<u>1,301</u>	<u>65</u>	<u>2,593</u>	<u>39</u>
Income(loss) before contributions and transfers	4,419	(2,932)	(369)	(2,159)	(549)	(745)	(2,335)	1,676
Capital contributions	243	17	—	—	—	18	278	—
Transfers in	71	21	1	63	—	—	156	2,583
Transfers out	(5,374)	—	—	—	—	—	(5,374)	(1,500)
Change in net position	<u>(641)</u>	<u>(2,894)</u>	<u>(368)</u>	<u>(2,096)</u>	<u>(549)</u>	<u>(727)</u>	<u>(7,275)</u>	<u>2,759</u>
Net position - beginning	128,853	45,543	17,896	1,852	8,668	8,412	211,224	40,978
Restatement of Net position (see note I.G.12)	(27,066)	(6,337)	(140)	(23,800)	(2,331)	(627)	(60,301)	—
Net position - beginning, as restated	101,787	39,206	17,756	(21,948)	6,337	7,785	150,923	40,978
Net position - ending	<u>\$ 101,146</u>	<u>\$ 36,312</u>	<u>\$ 17,388</u>	<u>\$ (24,044)</u>	<u>\$ 5,788</u>	<u>\$ 7,058</u>	<u>\$ 143,648</u>	<u>\$ 43,737</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, 2018 (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	\$ 38,503	\$ 11,761	\$ 911	\$ 28,411	\$ 1,456	\$ 941	\$ 81,983	\$ 70,820
Payments to suppliers	(12,288)	(7,494)	(1,074)	(12,450)	(914)	(1,883)	(36,103)	(66,516)
Payments to employees	(12,656)	(2,973)	(49)	(13,128)	(1,586)	(384)	(30,776)	—
Net cash provided by (used for) operating activities	13,559	1,294	(212)	2,833	(1,044)	(1,326)	15,104	4,304
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Real property taxes and other taxes	—	298	2,133	—	1,267	96	3,794	—
Transfers (to) from other funds	(5,169)	84	(354)	815	4	16	(4,604)	193
Operating grants	75	2	—	25	—	—	102	—
Net cash provided by (used for) noncapital financing activities	(5,094)	384	1,779	840	1,271	112	(708)	193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sales of bonds and notes	2,922	1,581	7	—	(11)	1,036	5,535	—
Capital contributions	—	17	—	—	—	18	35	—
Principal paid on bonds and notes	(6,528)	(3,143)	(930)	—	(85)	(18)	(10,704)	—
Interest expense paid on bonds and notes	(1,589)	(762)	(438)	—	(21)	(71)	(2,881)	—
Acquisition and construction of capital assets	(5,479)	(1,036)	(131)	(613)	(268)	(688)	(8,215)	—
Net cash provided by (used for) capital and related financing activities	(10,674)	(3,343)	(1,492)	(613)	(385)	277	(16,230)	—
CASH FLOWS FROM INVESTING ACTIVITIES								
Investments acquired	—	(2,500)	—	—	—	—	(2,500)	(13,998)
Interest received from investments and customers	1,108	305	2	34	29	66	1,544	39
Net cash provided by (used for) investing activities	1,108	(2,195)	2	34	29	66	(956)	(13,959)
Net increase (decrease) in cash and cash equivalents	(1,101)	(3,860)	77	3,094	(129)	(871)	(2,790)	(9,462)
Cash and cash equivalents at beginning of year	36,597	14,192	1,571	18,916	2,679	2,402	76,357	46,140
Cash and cash equivalents at end of year	35,496	10,332	1,648	22,010	2,550	1,531	73,567	36,678
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:								
Operating income (loss)	\$ 4,786	\$ (2,771)	\$ (2,078)	\$ (2,205)	\$ (1,850)	\$ (810)	\$ (4,928)	\$ 1,637
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:								
Depreciation expense	7,841	3,220	965	1,518	593	652	14,789	—
(Increase) decrease in customer receivables	(653)	183	783	(161)	20	7	179	(176)
Increase (decrease) in accounts payable - supplier	588	302	118	725	42	(1,245)	530	2,843
Increase (decrease) in compensated absences	60	(29)	—	8	14	9	62	—
Increase (decrease) in salaries & benefits payable	937	389	—	2,948	137	61	4,472	—
Total adjustments	8,773	4,065	1,866	5,038	806	(516)	20,032	2,667
Net cash provided by (used for) operating activities	\$ 13,559	\$ 1,294	\$ (212)	\$ 2,833	\$ (1,044)	\$ (1,326)	\$ 15,104	\$ 4,304

Note: There was a non-cash transaction converting \$9,307,000 in bond anticipation notes to bonds for proprietary funds in the fiscal year ending June 30, 2018

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, 2018 (000's Omitted)**

	<u>Private-purpose Trust funds</u>	<u>Agency funds</u>
ASSETS		
Cash and cash equivalents	\$ 510	\$ 13,090
Investments	2,797	2,000
Receivables (net of allowance for uncollectibles)	—	461
Total assets	<u>3,307</u>	<u>15,551</u>
LIABILITIES		
Accounts payable and other accrued liabilities	10	15,551
Total liabilities	<u>10</u>	<u>\$ 15,551</u>
NET POSITION		
Net position held in trust and other purposes	<u>\$ 3,297</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, 2018 (000's Omitted)**

	Private-purpose Trust funds
ADDITIONS	
Contribution	\$ 248
Net investment earnings	66
Total additions	<u>314</u>
DEDUCTIONS	
Community services	251
Total deductions	<u>251</u>
Change in net position	63
Net position - beginning	<u>3,234</u>
Net position - ending	<u><u>\$ 3,297</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 **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, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus, and Statement No. 86, Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessment of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57 *OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*.

The objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The objective of Statement 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, postemployment benefits, (pensions and other postemployment benefits [OPEB]).

The primary objective of Statement 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial

reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The City has evaluated Statements No. 81, 85, and 86 and have determined that they have no impact on the City's operations.

The GASB has issued the following new statements:

- 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. 87, *Leases*, which will be effective for the year ending June 30, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which will be effective for the year ending June 30, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2020.
- Statement No. 90 *Majority Equity Interests - and amendment of GASB Statements No. 14 and No. 61* which will be effective for June 30, 2020.

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, 2018, the City had a legal margin of \$40,692,000.

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 bank deposits and money market accounts. All highly liquid investments, both restricted and unrestricted, with an original maturity of approximately three months or less are considered to be cash

equivalents. Interest earnings are recorded at maturity and generally allocated to the appropriate fund by outstanding balance.

The City reports Library investments in the private purpose trust fund, 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 \$10,027,000 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days, \$53,022,000 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, 2018, \$416,000 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 \$4,090 in the General fund at June 30, 2018 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 \$3,078,000 for Special Aid fund projects during fiscal year 2017-18. These funds represent receipts for various grants that were not fully spent as of June 30, 2018. As the funds are spent during fiscal year 2018-19, 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 activities, the full liability is recognized at both the fund and entity-wide level. As of June 30, 2018, the liability for Governmental Activities was \$18,118,000 and \$1,209,000 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 entity-wide financial statements bond premiums and discounts are amortized over the life of the debt issued. Bond issuance costs, if any, are charged as a general fund operating expense on the fund basis statements.

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

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.

The City has adopted a formal fund balance policy in which it shall strive to attain and maintain an adequate fund balance in its general fund in order to maintain a desirable credit rating and retain the ability to borrow at a reasonable interest rate. The City's policy establishes that the City will maintain a level of unrestricted fund balance in the general fund that is no less than twelve and one-half percent of the annual projected general fund expenditures in the same fiscal year. In the event that the unrestricted fund balance falls below the minimum amount required by this policy, the City shall develop and implement a plan that increases the fund balance back to the required minimum level as soon as practicable, and no later than within three years.

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 \$6,039,000 at year end. These were substantially for environmental services purposes including \$1,167,000 for utilities, maintenance, fuel and security systems and general government purposes were \$3,342,000 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 money market 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.

12. Restatement of Net Position

For the fiscal year ended June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this statement resulted in a restatement of beginning net position as follows:

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	School <u>District</u>
Net position beginning of the year, as previously stated	\$ 311,606,000	\$211,224,000	\$ 78,595,000
GASB Statement No. 75 implementation	<u>(870,973,000)</u>	<u>(60,301,000)</u>	<u>(574,142,000)</u>
Net position beginning of the year, as restated	<u>\$(559,367,000)</u>	<u>\$150,923,000</u>	<u>\$495,547,000)</u>

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 \$1,720,100. Estimated revenues increased by \$1,248,500, transfers to other funds increased by \$3,225,000 and transfers from other funds increased by \$256,400. 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. The deficit balance in the Refuse fund resulted from the implementation of GASB 75 *Accounting and Financial reporting for Postemployment Benefits Other than Pensions* requirements. This deficit balance will be addressed in the upcoming years.

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 \$266,934,000 and the bank balance was \$269,579,000. 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 \$111,302,000. 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 \$15,750,000 all held in money markets. 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 \$30,247,286. 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 levels 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 \$2,797,000 of Library trust funds invested. The Library's investments were measured at fair value on a recurring basis at June 30, 2018 and were all considered Level 1:

Cash and cash equivalent	\$81,000
Accrued Interest	4,000
Common stocks:	
Consumer discretionary	101,000
Consumer staples	107,000
Energy	38,000
Financial	88,000
Healthcare & pharmaceuticals	247,000
Industrials	122,000
Technology	233,000
Materials	24,000
Real estate	11,000
Telecommunications	<u>9,000</u>
Total common stocks	980,000
Mutual funds:	
Equity income	266,000
Real estate	<u>185,000</u>
Total mutual funds	451,000
Governmental bonds:	
Mortgage notes	228,000
U. S. Treasury	<u>522,000</u>
Total governmental bonds	750,000
Corporate Bonds:	
Financial/Investment	<u>531,000</u>
Total corporate bonds	<u>531,000</u>
Total	<u><u>\$2,797,000</u></u>

In addition to the above named investments, the City was also invested in United States Treasury Bills. The City was not exposed to any interest rate risk or credit risk for these investments at June 30, 2018, as these are obligations of the U.S. Government, and are guaranteed by the U.S. Government. These investments were short term, maturing in 90 days or less, and are reported at amortized cost, as allowed by GASB Statement No. 31.

	<u>Principal</u>	<u>Rate</u>	<u>Maturity</u>
United States Treasury Bill	\$3,499,797	1.68%	7/19/2018
United States Treasury Bill	1,999,631	1.67%	7/26/2018
United States Treasury Bill	1,999,513	1.71%	8/9/2018
United States Treasury Bill	6,444,589	1.77%	8/23/2018
United States Treasury Bill	6,499,622	1.78%	9/6/2018
United States Treasury Bill	<u>2,999,517</u>	1.8%	9/20/2018
Totals	<u>\$23,442,669</u>		

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

B. RECEIVABLES AND PAYABLES

The Primary Government had \$96,065,000 in accounts receivable at year-end. A significant receivable in the governmental activities was \$70,144,000 in economic development and housing loans made from the Community Development Special Revenue Fund. Significant business-type receivables were \$13,916,000 in the Water Fund, \$3,188,000 in the Refuse Fund, \$422,000 in the Cemetery Fund and \$4,617,000 in the Parking Fund.

Receivables are reported net of allowance for uncollectibles, which were established based on current collection experience. Allowances for uncollectibles for major revenue sources are as follows: General Fund property taxes (\$13,471,000), Water Fund (\$2,012,000) and Refuse Fund (\$3,562,000).

The amount due from other governments to the City, as presented in the governmental fund level statements as of June 30, 2018, was \$70,136,000. This was comprised of the following items: \$7,620,000 from New York State, \$47,203,000 from Monroe County, \$13,606,000 from the Federal Government, and \$1,706,000 from others.

The amount due from other governments and the primary government to the School District as of June 30, 2018 was \$59,876,000. This was comprised of the following items: \$36,848,000 from New York State, \$15,547,000 from the Federal Government and \$7,481,000 from other sources.

The Primary Government had \$73,865,000 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 \$108,471,000 in accounts payable and accrued liabilities at year-end. This was principally made up of vouchers expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

C. CAPITAL ASSETS

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

Class	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 24,519	\$ —	\$ —	\$ 24,519
Construction in progress	6,499	7,114	2,476	11,137
Total capital assets, not being depreciated	31,018	7,114	2,476	35,656
Capital assets, being depreciated:				
Buildings	251,067	1,846	200	252,713
Improvements other than buildings	87,963	362	—	88,325
Machinery, equipment, and vehicles	116,302	6,432	3,691	119,043
Infrastructure	675,279	20,435	1,857	693,857
Total capital assets being depreciated	1,130,611	29,075	5,748	1,153,938
Less accumulated depreciation for:				
Buildings	119,674	7,179	186	126,667
Improvements other than buildings	30,226	2,959	—	33,185
Machinery, equipment, and vehicles	80,568	7,618	3,388	84,798
Infrastructure	181,672	11,963	312	193,323
Total accumulated depreciation	412,140	29,719	3,886	437,973
Total capital assets, being depreciated, net:	718,471	(644)	1,862	715,965
Governmental activities capital assets, net:	\$ 749,489	\$ 6,470	\$ 4,338	\$ 751,621

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

Class	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 10,539	\$ —	\$ —	\$ 10,539
Construction in progress	6,248	1,851	6,800	1,299
Total capital assets, not being depreciated	<u>16,787</u>	<u>1,851</u>	<u>6,800</u>	<u>11,838</u>
Capital assets, being depreciated:				
Buildings	218,589	7,270	52	225,807
Improvements other than buildings	295,327	4,375	85	299,617
Machinery, equipment, and vehicles	42,334	1,850	515	43,669
Total capital assets being depreciated	<u>556,250</u>	<u>13,495</u>	<u>652</u>	<u>569,093</u>
Less accumulated depreciation for:				
Buildings	116,858	5,755	38	122,575
Improvements other than buildings	143,042	6,564	15	149,591
Machinery, equipment, and vehicles	30,761	2,470	359	32,872
Total accumulated depreciation	<u>290,661</u>	<u>14,789</u>	<u>412</u>	<u>305,038</u>
Total capital assets, being depreciated, net:	<u>265,589</u>	<u>(1,294)</u>	<u>240</u>	<u>264,055</u>
Business-type activities capital assets, net:	<u>\$ 282,376</u>	<u>\$ 557</u>	<u>\$ 7,040</u>	<u>\$ 275,893</u>

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

Governmental activities:

General Government	\$ 3,930
Police	2,492
Fire	1,674
Emergency Communications	242
Transportation	11,963
Environmental Services	4,394
Recreation & Youth Services	2,137
Library	1,025
Neighborhood & Business Development (NBD)	1,862
Total depreciation expense - governmental activities	<u>\$ 29,719</u>

Business-type activities:

Water	\$ 7,841
Parking	3,220
War Memorial	965
Refuse	1,518
Cemetery	593
Public market	652
Total depreciation expense - business-type activities	<u>\$ 14,789</u>
Total depreciation - Primary Government	<u><u>\$ 44,508</u></u>

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

Class	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 17,349	\$ —	\$ —	\$ 17,349
Construction in progress	70,554	149,885	19,715	200,724
Total capital assets, not being depreciated	<u>87,903</u>	<u>149,885</u>	<u>19,715</u>	<u>218,073</u>
Capital assets, being depreciated:				
Buildings and improvements	856,468	16,368	5,539	867,297
Equipment and other	55,224	4,131	11,481	47,874
Total capital assets being depreciated	<u>911,692</u>	<u>20,499</u>	<u>17,020</u>	<u>915,171</u>
Less accumulated depreciation for:				
Buildings and improvements	334,627	29,193	2,885	360,935
Equipment and other	44,099	3,263	11,450	35,912
Total accumulated depreciation	<u>378,726</u>	<u>32,456</u>	<u>14,335</u>	<u>396,847</u>
Total capital assets, being depreciated, net:	<u>532,966</u>	<u>(11,957)</u>	<u>2,685</u>	<u>518,324</u>
School District Capital Assets, net:	<u>\$ 620,869</u>	<u>\$ 137,928</u>	<u>\$ 22,400</u>	<u>\$ 736,397</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, 2018:

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

	Balance July 1, 2017	New Issues/ Additions	Notes Converted to Bonds	Maturities/ Reductions	Balance June 30, 2018	Due Within One Year
Bond Anticipation Notes						
Public improvement	\$ 38,053	\$ 10,280	\$ (24,603)	\$ (4,704)	\$ 19,026	\$ 19,026
Library	302	190	(280)	(22)	190	190
Local Works	2,998	675	(950)	(365)	2,358	2,358
Total Bond Anticipation Notes	\$ 41,353	\$ 11,145	\$ (25,833)	\$ (5,091)	\$ 21,574	\$ 21,574

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

	Balance July 1, 2017	New Issues/ Additions	Notes Converted to Bonds	Maturities/ Reductions	Balance June 30, 2018	Due Within One Year
Bond Anticipation Notes						
Water	\$ 12,247	\$ 2,975	\$ (4,857)	\$ (678)	\$ 9,687	\$ 9,687
War Memorial	200	—	(150)	(50)	—	—
Parking	8,388	1,368	(4,060)	(973)	4,723	4,723
Public Market	3,565	1,019	(240)	(18)	4,326	4,326
Total Bond Anticipation Notes	\$ 24,400	\$ 5,362	\$ (9,307)	\$ (1,719)	\$ 18,736	\$ 18,736

As of June 30, 2018, the City had two Bond Anticipation Notes, one for \$77,203,000 at 2.50% maturing August 2, 2018 and one for \$10,865,000 at 3.0% maturing March 11, 2019. 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, 2018:

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

	Balance July 1, 2017	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2018
Bond Anticipation Notes				
Rochester City School District	\$ 31,566	\$ 19,117	\$ (2,925)	\$ 47,758
JSCB	32,000	—	(32,000)	—
Total Bond Anticipation Notes	\$ 63,566	\$ 19,117	\$ (34,925)	\$ 47,758

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2018:

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

	Balance	New Issues/	Notes	Maturities/	Balance	Due Within
	July 1, 2017	Additions	Converted to Bonds	Reductions	June 30, 2018	One Year
General Obligation Bonds						
Public improvement	\$ 72,861	\$ —	\$ 24,603	\$ (13,738)	\$ 83,726	\$ 16,626
Sewer	352	—	—	(182)	170	65
Library	885	—	280	(245)	920	215
Local Works	2,230	—	950	(260)	2,920	570
Premium	8,690	1,876	—	(995)	9,571	1,099
Total General Obligation Bonds	85,018	1,876	25,833	(15,420)	97,307	18,575
Other Noncurrent Liabilities						
NYS Canal Corp. Lease	182	—	—	(91)	91	91
Workers' Compensation	15,808	4,525	—	(7,138)	13,195	3,430
Pollution Remediation	5,871	1,523	—	(1,947)	5,447	—
OPEB Liability	1,357,031	59,483	—	(33,374)	1,383,140	—
Net Pension Liability	96,407	—	—	(54,440) **	41,967	—
Due to Other Governments - Pension Amortization	6,469*	—	—	(983)	5,486*	—
Total Other Noncurrent Liabilities	1,481,768	65,531	—	(97,973)	1,449,326	3,521
TOTAL NONCURRENT LIABILITIES	\$ 1,566,786	\$ 67,407	\$ 25,833	\$ (113,393)	\$ 1,546,633	\$ 22,096

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

** Reductions to pension liability are presented net of additions.

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

	Balance	New Issues/	Notes	Maturities/	Balance	Due Within
	July 1, 2017	Additions	Converted to Bonds	Reductions	June 30, 2018	One Year
General Obligation Bonds						
Water	\$ 44,376	\$ —	\$ 4,857	\$ (5,850)	\$ 43,383	\$ 6,113
Parking	13,475	—	4,060	(2,170)	15,365	3,010
War Memorial	8,785	—	150	(880)	8,055	930
Cemeteries	745	—	—	(85)	660	90
Public Market	—	—	240	—	240	15
Premium	4,691	675	—	(503)	4,863	540
Total General Obligation Bonds	72,073	675	9,307	(9,488)	72,566	10,698
Other Noncurrent Liabilities						
Workers' Compensation	6,863	1,939	—	(313)	8,489	2,207
OPEB Liability	102,953	4,982	—	(2,040)	105,895	—
Net Pension Liability	2,358	—	—	(1,514) **	844	—
Due to Other Governments - Pension Amortization	733*	—	—	(112)	621*	—
Total Other Noncurrent Liabilities	112,907	6,921	—	(3,979)	115,849	2,207
TOTAL NONCURRENT LIABILITIES	\$ 184,980	\$ 7,596	\$ 9,307	\$ (13,467)	\$ 188,415	\$ 12,905

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

** Reductions to pension liability are presented net of additions.

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, 2018:

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

	Balance July 1, 2017	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2018	Due Within One Year
General Obligation and Revenue Bonds					
General Fund	\$ 118,020	\$ —	\$ (18,984)	\$ 99,036	\$ 17,836
RJSCB School Facility Revenue Bonds	231,585	123,670	(15,025)	340,230	21,385
Premium	36,324	24,376	(4,729)	55,971	4,729
TOTAL GENERAL OBLIGATION AND REVENUE BONDS	385,929	148,046	(38,738)	495,237	43,950
Other Noncurrent Liabilities					
OPEB Liability*	830,421	39,955	(27,444)	842,932	—
NYS Lottery Advance	12,000	—	(667)	11,333	667
NYS Teachers' Retirement Loan	12,598	—	(2,350)	10,248	2,431
NYS Employees' Retirement Loan	4,828	—	(517)	4,311	533
ERS Pension Liability **	21,375	—	(13,801)	7,574	—
Claims Payable	25,071	5,778	(5,709)	25,140	6,009
Compensated Absences	2,827	6,391	(6,130)	3,088	3,088
Installment Purchase Debt	1,158	—	(791)	367	367
Total Other Noncurrent Liabilities	910,278	52,124	(57,409)	904,993	13,095
TOTAL NONCURRENT LIABILITIES	\$ 1,296,207	\$ 200,170	\$ (96,147)	\$ 1,400,230	\$ 57,045

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.

* Balance June 30, 2017, as restated

** Reductions to ERS pension liability is presented net of increases

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	
2019	\$ 17,476	\$ 3,393	\$ 10,158	\$ 2,792	\$ 17,836	\$ 3,954	\$ 55,609
2020	14,109	2,724	9,880	2,355	17,131	3,143	49,342
2021	12,190	2,118	9,470	1,901	15,700	2,361	43,740
2022	10,070	1,601	7,275	1,483	11,715	1,683	33,827
2023	8,760	1,175	6,740	1,159	10,050	1,190	29,074
2024-2028	21,456	2,176	21,540	2,365	22,294	2,329	72,160
2029-2032	3,675	231	2,640	123	4,310	177	11,156
Total	<u>\$ 87,736</u>	<u>\$ 13,418</u>	<u>\$ 67,703</u>	<u>\$ 12,178</u>	<u>\$ 99,036</u>	<u>\$ 14,837</u>	<u>\$ 294,908</u>

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

Outstanding Bond Issues - June 30, 2018

Issue	Rate(%)	Principal Balance	Final Maturity	Original Balance	Capital Project Fund Categories
General Obligation-1994, Series A	5.000	\$ 1,570,000	08/15/22	\$63,577,000	G,L,P,R,S,W,Sch
General Obligation-1996, Series A	5.000	205,000	09/15/23	70,690,000	G,L,P,S,W,Sch
General Obligation-1996, Series B (Taxable)	6.750	2,240,000	09/15/24	9,380,000	Parking only
General Obligation Serial Bonds-1997	5.000	2,350,000	10/01/25	55,960,000	G,L,P,S,W,Sch
General Obligation Serial Bonds-1999	5.250	6,555,000	10/01/26	69,575,000	G,W,S,L,WM,Sch
General Obligation Serial Bonds-2001, Series A	4.500	450,000	10/15/27	29,275,000	G,L,S,W,Sch
General Obligation Serial Bonds-2001, Series B	5.000	1,150,000	02/15/28	35,350,000	G,S,PM,WM,W,Sch
General Obligation Serial Bonds-2008, Series A	3.750	2,065,000	02/01/22	19,005,000	G,S,W,P
General Obligation Serial Bonds-2008, Series B	4.000	7,800,000	10/01/26	39,220,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C1	5.110	23,185,000	02/10/24	92,996,949	G,S,L,W,P,C,PM,Sch
General Obligation Serial Bonds-2009, Series C2 (Taxable)	5.521	1,230,000	02/10/19	3,215,000	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C3 (Taxable)	5.521	1,830,000	02/10/24	1,830,000	G,W,P
General Obligation Serial Bonds-2012, Series I	4.000	32,420,000	08/15/27	66,943,000	G,S,L,W,P,Sch
General Obligation Serial Bonds-2012, Series II	2.000	225,000	08/15/19	5,655,000	School only
General Obligation Serial Bonds-2012, Series III	4.000	3,210,000	02/15/25	9,640,000	School only
General Obligation Serial Bonds-2012, Series IV	4.000	8,985,000	10/15/31	14,655,000	G,S,W,Sch
General Obligation Serial Bonds-2012, Series V	4.000	9,195,000	02/15/31	19,390,000	G,S,W,P,Sch
General Obligation Serial Bonds-2013, Series I	5.000	19,160,000	02/01/25	29,150,000	G,LW,P,C
General Obligation Serial Bonds-2013, Series II	5.000	32,500,000	02/01/29	67,470,000	G,W,P,Sch
General Obligation Serial Bonds-2015, Series I	5.000	46,735,000	08/01/30	59,620,000	G,L,W,WM,P,Sch
General Obligation Serial Bonds-2016, Series I	4.000	16,275,000	10/15/24	20,200,000	G,S,W,Sch
General Obligation Serial Bonds-2018, Series I	4.000	35,140,000	02/15/32	35,140,000	G,L,LW,W,WM,P,PM
		<u>\$ 254,475,000</u>			

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 6.75% with maturity dates through fiscal 2032. Bonds authorized but unissued as of June 30, 2018 amounted to \$68,312,000. The debt-contracting margin of the City as of June 30, 2018, was \$283,141,000.

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 for the year ended 2018.

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 \$1,523,000 and spent \$1,947,000 in pollution remediation obligation related activities. At June 30, 2018, the City had an outstanding pollution remediation liability of \$5,447,000.

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, 2018, capital assets with an acquisition cost of \$1,032,000 and a net book value of \$858,000 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 \$203,000 during the second half of the lease, fiscal years 2012 through 2021. As of June 30, 2018, the accrued lease liability (net of receivables from a sublease) was \$91,000. 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, 2018, 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, 2018.

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

As of June 30, 2018, governmental fund balances were classified as follows (000's omitted):

	Capital Projects			Special Revenue	Nonmajor Governmental	Total Governmental Funds
	General	General	Transportation	Community Development		
Restricted:						
Debt service	\$ —	\$ —	\$ —	\$ —	\$ 5,063	5,063
Community development	—	—	—	3,477	—	3,477
Federal projects	—	—	—	—	5,083	5,083
State projects	—	—	—	—	1,628	1,628
Committed:						
Retirement costs	23,329	—	—	—	—	23,329
Property tax relief	24,545	—	—	—	—	24,545
Capital projects	—	34,780	—	—	—	34,780
Federal block grant	—	—	—	4,314	—	4,314
Cemetery perpetual care	—	—	—	—	5,420	5,420
Economic development	—	—	—	—	3,039	3,039
Assigned:						
Open purchase orders and contracts:						
General government	3,342	—	—	—	—	3,342
Police	570	—	—	—	—	570
Fire	146	—	—	—	—	146
Emergency communications	189	—	—	—	—	189
Environmental services	1,167	—	—	—	—	1,167
Recreation & youth services	422	—	—	—	—	422
Neighborhood & business development	202	—	—	—	—	202
Subsequent year's expenditures	5,670	—	—	—	—	5,670
Retirement costs	4,600	—	—	—	—	4,600
Property tax relief	5,000	—	—	—	—	5,000
Postemployment benefits	7,923	—	—	—	—	7,923
Debt service	—	—	—	—	12,515	12,515
Capital projects	8,500	29	—	—	—	8,529
Animal control	—	—	—	—	415	415
Library	—	—	—	—	768	768
Local works	—	—	—	—	10,521	10,521
Downtown programs	—	—	—	—	2,193	2,193
Unassigned:						
Capital projects fund - Transportation	—	—	(4,843)	—	—	(4,843)
Capital projects fund - Cultural and Recreation	—	—	—	—	(920)	(920)
General fund	5,700	—	—	—	—	5,700
Totals	<u>\$ 91,305</u>	<u>\$ 34,809</u>	<u>\$ (4,843)</u>	<u>\$ 7,791</u>	<u>\$ 45,725</u>	<u>\$ 174,787</u>

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, 2018, the amount of these liabilities was \$29,440,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2016 resulted from the following (000's Omitted):

	Workers' Compensation	General Liability	Total
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	<u>\$ 22,670</u>	<u>\$ 4,931</u>	<u>\$ 27,601</u>
Claims incurred 2017-18	5,478	9,404	14,882
Payments 2017-18	(6,464)	(6,578)	(13,042)
Estimated claims June 30, 2018	<u><u>\$ 21,684</u></u>	<u><u>\$ 7,757</u></u>	<u><u>\$ 29,441</u></u>

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

The schedule below presents the calculation of the School District's estimated claims at June 30, 2018 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. The School District currently maintains a student accident insurance policy with a third party insurance company.

	Workers' Compensation	Health Insurance	Total
Estimated claims June 30, 2017	\$ 5,804	\$ 4,146	\$ 9,950
Claims incurred 2016-17	4,687	78,050	82,737
Payments & reductions 2016-17	(4,980)	(78,626)	(83,606)
Estimated claims June 30, 2017	<u>\$ 5,511</u>	<u>\$ 3,570</u>	<u>\$ 9,081</u>
Claims incurred 2017-18	6,166	82,930	89,096
Payments & reductions 2017-18	(5,668)	(81,470)	(87,138)
Estimated claims June 30, 2018	<u><u>\$ 6,009</u></u>	<u><u>\$ 5,030</u></u>	<u><u>\$ 11,039</u></u>

B. CONTINGENT LIABILITIES

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

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 administers the Rochester city School District Retiree Medical, Prescription, and Dental Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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.

City Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

	City
Inactive employees or beneficiaries currently receiving benefit payments	3,345
Inactive employees entitled to but not yet receiving benefit payments	18
Active employees	2,967
Total	6,330

Total OPEB Liability

The City's total OPEB liability of \$1,489,035,000 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

The School District Employees covered by benefit terms

As of June 30, 2018, the following employees were covered by benefit terms:

	School District
Inactive employees or beneficiaries currently receiving benefit payments	3,255
Inactive employees entitled to but not yet receiving benefit payments	684
Active employees	5,903
Total	9,842

The District's total OPEB liability of \$842,932,000 was measured as of July 1, 2017 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The City's total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increase 3.0% average salary increase used for Entry Age Normal (EAN)
 Discount rate 3.5%
 Healthcare Cost Trend rates: Year 1 trend January 1, 2019 8% both Pre 65, and Post 65
 Ultimate trend January 1, 2025 and later 5% both Pre 65 and Post 65
 Grading per year .5% both Pre 65 and Post 65.

Retiree share of benefit-related Range of 0%-25% of premium cost

The discount rate was based on the prescribed discount interest rate methodology under GASB 75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GAAA 20 Years) as of June 30, 2018.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females based on the Combined Healthy Table for both pre and post-retirement with mortality improvement based on Scale AA projected to the valuation date, plus an additional ten-years mortality improvement projections consistent with current industry trends in the market.

The valuation was done as of July 1, 2017, and reflects a measurement date as of year end June 30, 2018.

The School District's total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Retirees Share of Benefit-Related Costs Range of 0%-15% health insurance premium cost
 Salary increase 3.0% average, including inflation
 Discount rate 3.5%
 Healthcare Cost Trend rates: 8.0% for 2019, with a reduction of 0.5% per year and an ultimate rate of 5.0% in 2025 and years thereafter.

The discount rate was based on the prescribed discount interest rate methodology under GASB 75 based on an average of three 20-year bond indices.

The mortality table used for the current valuation was the RP 2014 Healthy Male and Female Tables based on the Combined Healthy Table for both pre and post-retirement with mortality improvement based on Scale AA projected to the valuation date, plus an additional ten-year mortality improvement projection consistent with current industry trends in the market.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

Changes in City's Total OPEB Liability

	<i>Total OPEB Liability</i>	
Balance as of 6/30/17	\$	<u>1,459,984,643</u>
Changes for the year		
Service cost		13,984,786
Interest		50,479,710
Changes of benefit terms		—
Differences between expected and actual experience		—
Changes in assumptions or other inputs		—
Benefits payments		(35,414,414)
Net changes		<u>29,050,082</u>
Balance 6/30/18	\$	<u><u>1,489,034,725</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.0% in 2017 to 3.5% in 2018 which is the GASB 75 prescribed discount rate.

Changes in School District's Total OPEB Liability

Balance as of 6/30/17	\$	<u>830,421,446</u>
Changes for the year		
Service cost		11,370,042
Interest		28,584,477
Changes of benefit terms		—
Differences between expected and actual experience		—
Changes in assumptions or other inputs		—
Benefits payments		(27,444,204)
Net changes		<u>12,510,315</u>
Balance 6/30/18	\$	<u>842,931,761</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	Discount Rate 1% Decrease <u>(2.5%)</u>	Discount Rate <u>(3.5%)</u>	Discount Rate 1% Increase <u>(4.5%)</u>
Total OPEB Liability \$	1,894,818,037	\$ 1,489,034,725	\$ 1,205,619,913

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.5 percent) or 1-percentage point higher (4.5 percent) than the current discount rate:

	Discount Rate 1% Decrease <u>(2.5%)</u>	Discount Rate <u>(3.5%)</u>	Discount Rate 1% Increase <u>(4.5%)</u>
Total OPEB Liability \$	1,033,105,986	\$ 842,931,761	\$ 704,074,475

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School Districts

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 4%) or one percentage point higher (9.0% decreasing to 6%) than the current healthcare cost trend rate.

	Discount Rate 1% Decrease <u>(7.0% increasing to 9.0%)</u>	Healthcare Cost Trend Rate <u>(8.0% decreasing to 5.0%)</u>	Discount Rate 1% Increase <u>(9.0% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 1,184,018,296	\$ 1,489,034,725	\$ 1,960,822,282

The following presents the total OPEB liability of the School District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 4%) or one percentage point higher (9.0% decreasing to 6%) than the current healthcare cost trend rate.

	Discount Rate 1% Decrease <u>(7.0% decreasing to 4.0%)</u>	Healthcare Cost Trend Rate <u>(8.0% decreasing to 5.0%)</u>	Discount Rate 1% Increase <u>(9.0% decreasing to 6.0%)</u>
Total OPEB Liability	\$ 693,048,085	\$ 842,931,761	\$ 1,045,250,534

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$64,464,000. There were no reported deferred outflows of resources or deferred inflows of resources in the current year.

For the year ended June 30, 2017, the School District recognized OPEB expense of \$39,955,000. At June 30, 2018, The District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Contributions subsequent to the measurement date	21,184,720	—
Total	<u>\$ 21,184,720</u>	<u>\$ —</u>

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 \$600,000 for the City in fiscal year 2018, cannot be projected as a reduction to the actuarial accrued liability.

The District'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 for future years cannot be recognized 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 2017-18, MRA claims totaling \$10,336 were paid by the District and at June 30, 2018 there were thirty 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, 2018, 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, 2018 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, 2018	March 31, 2018
Net Pension Asset/(Liability)	\$ (10,617,506)	\$ (32,194,492)
City's portion of the plan's total net pension liability	0.3300000%	3.1900000%
Change in proportionate share since prior measurement date	0.0041613	(0.0980163)

At June 30, 2018, 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, 2018 for ERS and June 30, 2017 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, 2018	June 30, 2017
Net Pension Asset (Liability)	\$ (7,574,216)	\$ 12,287,138
District's portion of the Plan's total net pension liability	0.2346815%	1.616517%
Change in proportionate share since prior measurement date	0.0071989	(0.035317)

At year end June 30, 2018, the City recognized ERS pension expenses of \$13,121,000. 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	\$ 3,786,920	\$ 3,129,369
Changes of Assumptions	7,040,284	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	15,421,087	30,439,677
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	856,703	153,614
Total	\$ 27,104,994	\$ 33,722,660

The City's contributions subsequent to the measurement date for ERS amounted to \$3,219,000.

At year end June 30, 2018, the City recognized PFRS pension expenses of \$30,090,000. 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	\$ 13,250,932	\$ 8,554,814
Changes of Assumptions	24,393,157	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	26,057,667	52,478,727
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	230,916	2,827,949
Total	\$ 63,932,672	\$ 63,861,490

The City's contributions subsequent to the measurement date for PFRS amounted to \$6,646,000.

At year end June 30, 2018, the District's ERS recognized pension expenses of \$10,267,000, 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	\$ 2,701,477	\$ 2,232,399
Changes of Assumptions	5,022,331	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	11,000,949	21,714,769
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	3,061,324	201,479
Total	\$ 21,786,081	\$ 24,148,647

The District's contributions subsequent to the measurement date amounted to \$2,467,000.

At year end June 30, 2018, the District's TRS recognized pension expenses of \$31,581,000, 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	\$ 10,109,295	\$ 4,790,613
Changes of Assumptions	125,024,016	—
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	—	28,939,763
Changes in Proportion and differences between Employer Contributions and Proportionate Share of Contributions	4,290,142	459,977
Total	\$ 139,423,453	\$ 34,190,353

The District's contributions subsequent to the measurement date amounted to \$27,174,000.

The City's primary government recognized total pension expense of \$43,211,000 (\$13,121,000 for ERS, and \$30,090,000 for PFRS.) The School District recognized total pension expense of \$41,848,000 (\$10,267,000 for ERS, and \$31,581,000 TRS).

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, 2019. 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:

Year Ended March 31,	ERS	PFRS
2019	\$ 2,558,247	\$ 5,928,239
2020	1,875,569	5,192,351
2021	(7,596,647)	(7,166,202)
2022	(3,454,835)	(4,895,467)
2023	—	1,012,261
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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31,	ERS	Year Ended June 30,	TRS
2019	\$ 2,731,678	2019	\$ 3,533,373
2020	2,030,619	2020	33,767,511
2021	(4,945,095)	2021	24,360,790
2022	(2,179,768)	2022	6,566,254
2023	—	2023	24,291,923
Thereafter	—	Thereafter	12,713,249

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, 2018	March 31, 2018
Actuarial Valuation Date	April 1, 2017	April 1, 2017
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, 2017 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, 2018	June 30, 2017
Actuarial Valuation Date	April 1, 2017	June 30, 2016
Interest Rate	7.0%	7.25%
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, 2017 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, 2016 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, 2017	March 31, 2018
Asset Class:				
Domestic equities	35.0%	36.0%	5.9%	4.6%
International equities	18.0	14.0	7.4	6.4
Private equity	8	10.0	9	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies	—	2.0	0	3.8
Opportunistic portfolio	—	3.0	—	5.7
Real assets	—	3.0	—	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash	1	1.0	.6	(0.3)
Inflation-indexed bonds	—	4.0	—	1.3
Domestic fixed income securities	16.0	—	1.6	—
Global fixed income securities	2.0	—	1.3	—
High yield income securities	1.0	—	3.9	—
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 7.25% 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 7.25% 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 6.25% for TRS) or one percent point higher (8% for ERS and PFRS and 8.25% for TRS) than the current rate:

<u>CITY - ERS</u>	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)	\$ (80,334,910)	\$ (10,617,506)	\$ 48,360,632
<u>CITY - PFRS</u>	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)	\$ (157,697,341)	\$ (32,194,492)	\$ 73,072,955
<u>DISTRICT-ERS</u>	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Employer's proportionate share of the Net Pension asset/(liability)	\$ (57,308,558)	\$ (7,574,216)	\$ 34,499,050
<u>DISTRICT-TRS</u>	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the Net Pension asset/(liability)	\$ (211,670,987)	\$ 12,287,138	\$ 199,840,950

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	03/31/18	03/31/18	06/30/17
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 114,708,261
Fiduciary net position	180,173,145	31,903,666	115,468,360
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ (1,010,757)</u>	<u>\$ 760,099</u>
Ratio of Plan net position to the employers' total pension asset/(liability)	98.24%	96.93%	100.66%

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, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 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, 2018 for ERS amounted to \$3,219,000 and PFRS amounted to \$6,646,000. The District's accrued retirement contributions as of June 30, 2018 amounted to \$2,467,000.

For the District's TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a State Aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on TRS wages multiplied by a contribution rate of 9.8%, as calculated by the TRS as the actuarially required rate. Employer accrued retirement contributions as of June 30, 2018 were \$27,172,000.

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, 2018 (000's Omitted):

Due From:										
Due to:	General	General Capital	Transportation Capital	Community Development	Nonmajor Governmental Special Revenue	Nonmajor Governmental Capital Projects	Internal Service	Other Proprietary	Parking	Total
General	\$ —	\$ 54,475	\$ 2,547	\$ —	\$ 1,629	\$ —	\$ 6,017	\$ 1,052	\$ 88	\$ 65,808
General Capital	29,991	—	3,810	2	2	15	—	—	—	33,820
Transportation Capital	5,279	7,106	—	—	—	—	—	—	—	12,385
Community Development	642	—	—	—	—	—	—	—	—	642
Nonmajor Governmental Capital Projects	128	—	—	—	—	—	—	—	—	128
Nonmajor Special Revenue	6,251	692	10,161	—	—	962	—	370	—	18,436
Internal Service	1,292	—	—	—	—	—	—	—	—	1,292
War Memorial	177	—	—	—	—	—	—	—	103	280
Other Proprietary	14,439	—	—	—	107	—	—	—	—	14,546
Total	\$ 58,199	\$ 62,273	\$ 16,518	\$ 2	\$ 1,738	\$ 977	\$ 6,017	\$ 1,422	\$ 191	\$147,337

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, 2018, which were routine in nature, were as follows (000's Omitted):

Transfer In:									
Transfer Out:	General	Debt Service	General Capital	Transportation Capital	Nonmajor Governmental Special Revenue	Nonmajor Governmental Capital Projects	Internal Service	Proprietary	Total
General	\$ —	\$ —	\$ 17,587	\$ 2,622	\$ —	\$ 90	\$ 2,583	\$ —	\$ 22,882
Debt Service	5,800	—	—	—	100	—	—	1	5,901
General Capital	350	—	—	—	—	—	—	—	350
Transportation Capital	5,025	172	—	—	—	—	—	—	5,197
Nonmajor Special Revenue	1,566	—	258	4,611	—	470	—	—	6,905
Internal Service	1,301	—	—	—	44	—	—	155	1,500
Proprietary	5,374	—	—	—	—	—	—	—	5,374
Total	\$ 19,416	\$ 172	\$ 17,845	\$ 7,233	\$ 144	\$ 560	\$ 2,583	\$ 156	\$ 48,109

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.

Program	NYS RPTL	Purpose of Program	# of Properties	Total Assessed Value Of Properties	Taxable Assessed Value Of Properties	PILOT Revenue	Real Property Taxes being abated
COMIDA - CHOICE* Criteria to be eligible to receive abatement *Core Housing Owner Incentive Exemption	RPTL 412-a & General Municipal Law 874 Owner occupied housing	Promote new residential owner occupied units in the Center City District (Homestead Tax Rate)	57	\$ 16,932,300	\$ —	\$ 103,505	\$ 310,335
COMIDA	RPTL 412-a & General Municipal Law 874	Job Growth (Non-Homestead Tax Rate)	130	\$ 452,239,400	\$ —	\$ 7,831,986	\$ 17,840,844
CUE Conversion Urban Exemption	RPTL 485-a	Converted to mixed-use from under utilized commercial buildings (Residential & Commercial) (Non-Homestead Tax Rate)	17	\$ 31,121,400	\$ 10,979,220	N/A	\$ 794,609
485-a Residential Capital Improvement Criteria to be eligible to receive abatement	RPTL 421-f Owner occupied housing	Capital Improvements to residential properties Center City District (Homestead Tax Rate)	412	\$ 43,226,500	\$ 33,920,417	N/A	\$ 170,562
485-b Business Improvement Exemption	RPTL 485-b	Improvements to Commercial & Industrial properties (Non-Homestead Tax Rate)	125	\$ 113,396,500	\$ 100,453,353	N/A	\$ 510,607
Empire Zone 485-e Economic Development	RPTL 485-e	Improvements to Commercial & Industrial Properties in Empire Zones (Non-Homestead Tax Rate)	4	\$ 3,524,300	\$ 2,548,680	N/A	\$ 38,488
Rochester Housing Authority	Public Housing Law Sections 52(3) 52(5) 52(6)	Municipal Housing Authority	H 298	\$ 15,806,300	—	N/A	\$ 289,698
			NH 68	\$ 25,713,350	—	N/A	\$ 1,014,392
Sub Totals			366	\$ 41,519,650	—	0	\$ 1,304,090

Program	NYS RPTL	Purpose of Program	# of Properties	Total Assessed Value Of Properties	Taxable Assessed Value Of Properties	PILOT Revenue	Real Property Taxes being abated
Housing Development	Private Housing Finance Law	Low Income Housing	NH 86	\$ 89,098,700	—		\$ 3,514,944
Fund Companies	Section 577(3)		H 382	\$ 27,110,300	—		\$ 496,878
		Sub Totals (NH Non-Homestead (H Homestead)	468	\$ 116,209,000	—	—	\$ 4,011,821
Redevelopment	Private Housing Finance Law	Low Income Housing	NH 3	\$ 5,047,500	\$ 246,000	—	\$ 189,419
Company Housing	Sections 125, 127		H 1	\$ 270,000	\$ 12,000	—	\$ 4,729
Projects		Sub Totals	4	\$ 5,317,500	\$ 258,000	—	\$ 194,148
		Total Housing	838	\$ 163,046,150	\$ 258,000	\$ 5,647,823	\$ 5,510,059
Total All Programs						\$ 13,583,313	\$ 25,175,504

G. SUBSEQUENT EVENT

On August 1, 2018, the City of Rochester issued General Obligation Serial Bonds-2018 Series II in the amount of \$70,914,000. The proceeds of the bonds were used to redeem bond anticipation notes maturing on August 2, 2018. The City received an interest rate of 2.64%. On August 9, 2018 the City issued Bond Anticipation Notes, 2018 Series III in the amount of \$41,080,000 to provide original financing.

On September 19, 2018, the City Council approved the sale of the Mortimer Street Garage and its associated skyway to a limited partnership to be formed between Sibley Redevelopment Limited Partnership and CGI Communications, Inc. for the sum of \$3,105,000. On the same date, the Council also approved a long term capital lease agreement for the Genesee Crossroads Garage. This agreement obligates the lessee to pay the City \$3,165,000 upon initiation of the lease.

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, 2018 (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	\$ 151,364	\$ 153,368	\$ 8,204	\$ 8,205	\$ 2,889	\$ 2,889	\$ 162,423	\$ 162,457	\$ 164,462	\$ 2,005
Sales taxes	147,245	153,510	—	—	—	—	147,245	147,245	153,510	6,265
Other taxes	20,894	22,194	—	—	905	905	21,834	21,799	23,099	1,300
Charges for services	22,252	23,949	22,949	23,099	81,301	81,808	126,105	126,502	128,856	2,354
Use of money and property	140	186	10	46	9	117	160	159	349	190
Interest and penalties	2,358	2,771	—	—	1,231	1,146	3,589	3,589	3,917	328
Licenses and permits	3,248	3,312	39	44	—	—	3,287	3,287	3,356	69
Federal aid	5,571	5,873	—	—	5	5	5,542	5,576	5,878	302
State aid	105,469	105,351	1,035	942	—	71	106,120	106,504	106,364	(140)
Local sources and other	21,419	21,232	6,897	6,889	243	288	28,588	28,559	28,409	(150)
Total revenues	<u>479,960</u>	<u>491,746</u>	<u>39,134</u>	<u>39,225</u>	<u>83,694</u>	<u>87,229</u>	<u>604,893</u>	<u>605,677</u>	<u>618,200</u>	<u>12,523</u>
EXPENDITURES										
Council and clerk	1,938	1,924	—	—	—	—	1,854	1,938	1,924	14
Administration	10,996	10,564	—	—	—	—	10,835	10,996	10,564	432
Information technology	8,538	8,770	—	—	—	—	8,249	8,538	8,770	(232)
Finance	5,076	4,874	—	—	6,283	6,037	10,945	11,359	10,911	448
Neighborhood development	10,672	10,221	—	—	—	—	10,985	10,672	10,221	451
Environmental services	26,999	25,945	12,774	12,595	45,585	43,629	85,363	85,358	82,169	3,189
Library	—	—	11,901	11,670	—	—	11,793	11,901	11,670	231
Police	93,703	93,612	1,532	1,431	—	—	89,838	95,235	95,043	192
Fire	50,298	50,264	—	—	—	—	50,216	50,298	50,264	34
Emergency communications	13,861	13,618	—	—	—	—	13,540	13,861	13,618	243
Recreation and youth services	11,228	10,942	—	—	834	844	11,823	12,062	11,786	276
Undistributed	120,680	121,562	8,691	8,478	12,714	14,863	143,059	142,085	144,903	(2,818)
Contingency	—	—	16	—	8	—	7,548	24	—	24
Debt services	22,436	22,436	1,094	1,094	14,093	14,121	37,623	37,623	37,651	(28)
Total expenditures	<u>376,425</u>	<u>374,732</u>	<u>36,008</u>	<u>35,268</u>	<u>79,517</u>	<u>79,494</u>	<u>493,671</u>	<u>491,950</u>	<u>489,494</u>	<u>2,456</u>
Excess of revenues over expenditures	<u>103,535</u>	<u>117,014</u>	<u>3,126</u>	<u>3,957</u>	<u>4,177</u>	<u>7,735</u>	<u>111,222</u>	<u>113,727</u>	<u>128,706</u>	<u>10,067</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, 2018 (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	\$ 15,139	\$ 14,391	\$ 166	\$ 144	\$ 1,501	\$ 1,423	\$ 16,236	\$ 16,806	\$ 15,958	\$ (848)
Transfers (to) other funds	(15,595)	(15,595)	(4,952)	(4,952)	(14,611)	(14,611)	(31,933)	(35,158)	(35,158)	—
Transfers (to) component unit	(119,100)	(119,100)	—	—	—	—	(119,100)	(119,100)	(133,711)	—
Total other financing uses	(119,556)	(120,304)	(4,786)	(4,808)	(13,110)	(13,188)	(134,797)	(137,452)	(138,300)	(848)
Appropriation of prior year fund balance	16,021	—	1,660	—	6,044	—	23,575	23,725	—	(23,725)
Excess (deficiency) of revenues and other sources over expenditures and other uses-Budget Basis	—	(3,290)	—	(851)	—	(5,453)	—	—	(9,594)	(9,594)
Encumbrances included in actual		5,689		424		995			7,108	
Excess of revenues and other sources over expenditures, encumbrances and other uses		2,399		(427)		(4,458)			(2,486)	
Expenditures of prior years' encumbrances		1,628		36		283			1,947	
Excess of revenues and other sources over expenditures and other uses		771		(463)		(4,741)			(4,433)	
Net proprietary capital expense		—		—		(9,961)			(9,961)	
Depreciation expense		—		—		(14,789)			(14,789)	
Debt service cash basis		—		—		11,236			11,236	
Contribution to reserve for capital projects		—		—		14,611			14,611	
Other post employment benefits		—		—		(2,942)			(2,942)	
Capital and debt reimbursement		—		—		(978)			(978)	
Capital contribution		—		—		278			278	
Aggregate net pension expense		—		—		11			11	
Fund Balance/Net Position - beginning		90,534		12,167		150,923			253,624	
Fund Balance/Net Position - ending		\$ 91,305		\$ 11,704		\$ 143,648			\$ 246,657	

THE CITY OF ROCHESTER, NEW YORK
Required Supplemental Information

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Current Fiscal Year

(Dollar amounts in thousands)

	2018
Total OPEB Liability	
Service cost	\$ 13,985
Interest	50,478
Changes of benefit terms	—
Differences between expected and actual experience	—
Changes in assumptions or other inputs	—
Benefits payments	<u>(35,414)</u>
Net changes in total OPEB liability	29,049
Total OPEB Liability - beginning	<u>\$ 1,459,985</u>
Total OPEB liability - ending	<u>\$ 1,489,034</u>
Covered employee payroll	<u>\$ 226,033</u>
Total OPEB liability as a percentage of covered employee payroll	658.77%

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

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, 2018 (000's Omitted)**

	EMPLOYEES' RETIREMENT SYSTEM									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 6,642	\$ 6,118	\$ 9,506	\$ 12,463	\$ 14,581	\$ 10,634	\$ 17,665	\$ 15,473	\$ 14,271	\$ 14,185
Contributions in relation to the contractually required contribution	6,642	6,118	9,506	12,463	14,581	10,634	17,665	15,473	14,271	14,185
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 83,992	\$ 82,525	\$ 83,243	\$ 83,192	\$ 83,963	\$ 86,121	\$ 88,861	\$ 90,559	\$ 89,172	\$ 91,092
Contributions as a percentage of covered payroll	8%	7%	11%	15%	17%	12%	20%	17%	17%	15%
	POLICE AND FIRE RETIREMENT SYSTEM									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 17,117	\$ 13,400	\$ 16,402	\$ 18,798	\$ 32,003	\$ 21,218	\$ 27,261	\$ 25,610	\$ 28,374	\$ 27,647
Contributions in relation to the contractually required contribution	17,117	13,400	16,402	18,798	32,003	21,218	27,261	25,610	28,374	27,647
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
City's covered payroll	\$ 95,659	\$ 95,360	\$ 96,847	\$ 99,550	\$ 104,186	\$ 103,393	\$ 111,485	\$ 111,504	\$ 115,196	\$ 116,417
Contributions as a percentage of covered-payroll	18%	14%	17%	19%	31%	21%	24%	23%	23%	24%

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 4 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

EMPLOYEES' RETIREMENT SYSTEM

	2015	2016	2017	2018
City's proportion of the net pension asset (liability)	0.3300000%	0.3307422%	0.3258387%	0.3300000%
City's proportionate share of the net pension asset (liability)	\$(11,279,921)	\$(53,085,040)	\$30,616,534	\$(10,617,506)
City's covered payroll	\$ 88,860,688	\$ 90,558,782	\$ 89,171,877	\$ 90,728,128
City's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	12.69%	58.62%	34.33%	11.66%
Plan fiduciary net position as a percentage of the total pension	97.9%	90.7%	94.7%	98.2%

POLICE AND FIRE RETIREMENT SYSTEM

	2015	2016	2017	2018
City's proportion of the net pension asset (liability)	0.3290000%	3.2675555%	3.2880163%	3.1900000%
City's proportionate share of the net pension asset (liability)	\$ (9,055,486)	\$(96,745,364)	\$(68,149,135)	\$(32,194,492)
City's covered payroll	\$111,485,280	\$111,504,686	\$115,195,607	\$116,516,860
City's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	8.12%	86.76%	59.16%	27.65%
Plan fiduciary net position as a percentage of the total pension	99.0%	90.2%	93.5%	96.9%

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.

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.

II. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rates used in for the period ended June 30, 2018 is 3.5%.

III. PENSIONS

The City's proportionate share of the net pension liability of the pension systems is a significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition to the is factor the discount factor has varied from 7.5% to 7.0% over the past four years.

Nonmajor Governmental Funds

Debt Funds

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.

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.

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, 2018 (000's Omitted)

	Capital Projects				Special Revenue						Total Nonmajor Governmental Funds
	Debt Service	Economic Assistance	Cultural and Recreation	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	
ASSETS											
Cash and cash equivalents	\$ 13,230	\$ —	\$ —	\$ 1,168	\$ 9	\$ 23,393	\$ 5,290	\$ 1,993	\$ 434	\$ 3,323	\$ 48,840
Investments	—	—	—	—	—	—	—	—	4,945	—	4,945
Receivables (net of allowance for uncollectibles)											
Accounts	—	—	—	—	808	—	—	—	—	4	812
Taxes	—	—	—	—	—	321	—	—	—	—	321
Due from other funds	—	—	977	62	404	1,209	—	—	57	6	2,715
Due from other governments	—	662	—	—	2,392	—	291	219	—	—	3,564
Cash and cash equivalents - restricted	5,628	2,377	563	—	—	—	—	—	—	—	8,003
Total assets	\$ 18,293	\$ 3,039	\$ 1,540	\$ 1,230	\$ 3,613	\$ 24,923	\$ 5,581	\$ 2,212	\$ 5,436	\$ 3,333	\$ 69,200
LIABILITIES											
Accounts payable and other accrued liabilities	\$ —	\$ —	\$ 463	\$ 76	\$ 793	\$ 223	\$ 178	\$ 67	\$ —	\$ 24	\$ 1,824
Bond anticipation notes payable	—	—	1,869	—	—	—	—	—	—	—	1,869
Due to other funds	—	—	128	700	1,742	14,025	320	517	16	1,116	18,564
Due to other governments	1	—	—	39	309	154	—	—	—	—	503
Due to component units	714	—	—	—	1	—	—	—	—	—	715
Total liabilities	715	—	2,460	815	2,845	14,402	498	584	16	1,140	23,475
FUND BALANCES (DEFICIT)											
Restricted	5,063	—	—	—	—	—	5,083	1,628	—	—	11,774
Committed	—	3,039	—	—	—	—	—	—	5,420	—	8,459
Assigned	12,515	—	—	415	768	10,521	—	—	—	2,193	26,412
Unassigned (deficit)	—	—	(920)	—	—	—	—	—	—	—	(920)
Total fund balances (deficit)	17,578	3,039	(920)	415	768	10,521	5,083	1,628	5,420	2,193	45,725
Total liabilities and fund balances	\$ 18,293	\$ 3,039	\$ 1,540	\$ 1,230	\$ 3,613	\$ 24,923	\$ 5,581	\$ 2,212	\$ 5,436	\$ 3,333	\$ 69,200

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, 2018 (000's Omitted)

	Capital Projects				Special Revenue						Total Nonmajor Governmental Funds
	Debt Service	Economic Assistance	Cultural and Recreation	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care	Other	
REVENUES											
Real property tax	\$ —	\$ —	\$ —	\$ 1,985	\$ 6,220	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8,205
Departmental	—	—	—	321	2,585	20,247	—	—	—	—	23,153
Use of money and property	563	—	—	2	—	46	4	—	—	—	615
Federal aid	—	—	—	—	—	—	1,068	497	—	—	1,565
State aid	—	348	—	—	869	73	166	884	—	—	2,340
Local sources and other	—	—	—	77	6,801	—	822	3	57	1,079	8,839
Total revenues	<u>563</u>	<u>348</u>	<u>—</u>	<u>2,385</u>	<u>16,475</u>	<u>20,366</u>	<u>2,060</u>	<u>1,384</u>	<u>57</u>	<u>1,079</u>	<u>44,717</u>
EXPENDITURES											
Current:											
General government	—	—	—	602	3,991	3,884	—	—	—	21	8,498
Neighborhood business development	—	—	—	—	—	—	438	103	—	49	590
Environmental services	—	—	—	—	—	12,301	—	113	—	1	12,415
Transportation	—	—	—	—	—	—	—	—	—	107	107
Police department	—	—	—	1,380	—	—	—	751	—	—	2,131
Fire department	—	—	—	—	—	—	—	760	—	—	760
Library	—	—	—	—	11,629	—	—	—	—	—	11,629
Recreation and youth services	—	—	—	—	—	—	752	—	—	64	816
Debt service:	—	—	—	—	—	—	—	—	—	—	—
Principal retirement	—	—	—	—	245	260	—	—	—	—	505
Interest	—	—	—	—	43	159	—	—	—	—	202
Capital outlay:											
Neighborhood business development	—	10	—	—	—	—	—	—	—	—	10
Library	—	—	510	—	—	—	—	—	—	—	510
Recreation and youth services	—	—	1,469	—	—	—	—	—	—	—	1,469
Total expenditures	<u>—</u>	<u>10</u>	<u>1,979</u>	<u>1,982</u>	<u>15,908</u>	<u>16,604</u>	<u>1,190</u>	<u>1,727</u>	<u>—</u>	<u>242</u>	<u>39,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>563</u>	<u>338</u>	<u>(1,979)</u>	<u>403</u>	<u>567</u>	<u>3,762</u>	<u>870</u>	<u>(343)</u>	<u>57</u>	<u>837</u>	<u>5,075</u>
OTHER FINANCING SOURCES (USES)											
Premium on bonds issued	1,876	—	—	—	—	—	—	—	—	—	1,876
Issuance of debt	—	—	1,047	—	—	—	—	—	—	—	1,047
Transfers in	172	—	560	—	14	130	—	—	—	—	876
Transfers out	(5,901)	—	—	(258)	(470)	(4,611)	(291)	(166)	—	(1,109)	(12,806)
Total other financing source (uses)	<u>(3,853)</u>	<u>—</u>	<u>1,607</u>	<u>(258)</u>	<u>(456)</u>	<u>(4,481)</u>	<u>(291)</u>	<u>(166)</u>	<u>—</u>	<u>(1,109)</u>	<u>(9,007)</u>
Net change in fund balances	(3,290)	338	(372)	145	111	(719)	579	(509)	57	(272)	(3,932)
Fund balances - beginning	20,868	2,701	(548)	270	657	11,240	4,504	2,137	5,363	2,465	49,657
Fund balances (deficit) - ending	<u>\$ 17,578</u>	<u>\$ 3,039</u>	<u>\$ (920)</u>	<u>\$ 415</u>	<u>\$ 768</u>	<u>\$ 10,521</u>	<u>\$ 5,083</u>	<u>\$ 1,628</u>	<u>\$ 5,420</u>	<u>\$ 2,193</u>	<u>\$ 45,725</u>

THE CITY OF ROCHESTER, NEW YORK
SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (000's Omitted)

	Balance			Balance
	July 1, 2017	Additions	Deductions	June 30, 2018
ASSETS				
Cash and cash equivalents	\$ 13,041	\$ 16,925	\$ 16,876	\$ 13,090
Investments	—	2,000	—	2,000
Receivables (net of allowance for uncollectibles)	348	649	536	461
Total assets	<u>13,389</u>	<u>17,574</u>	<u>15,412</u>	<u>15,551</u>
 LIABILITIES				
Accounts payable and other accrued liabilities	13,389	14,406	12,244	15,551
Total liabilities	<u>\$ 13,389</u>	<u>\$ 14,406</u>	<u>\$ 12,244</u>	<u>\$ 15,551</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>	98
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant Local revenue source, the property tax.</i>	104
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>	109
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>	114
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>	116

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 488,181	\$ 530,636	\$ 591,596	\$ 552,846	\$ 547,613	\$ 597,794	\$ 602,559	\$ 626,977	\$ 642,707	\$ 648,630
Restricted	121,987	122,365	95,632	83,543	168,975	120,328	83,436	66,658	40,619	58,170
Unrestricted	(44,890)	(72,804)	(108,146)	(102,121)	(157,296)	(229,839)	(240,753)	(315,517)	(371,720)	(1,282,903)
Total governmental activities net position	<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>	<u>\$ (576,103)</u>
Business-type activities										
Net investment in capital assets	\$ 170,659	\$ 172,913	\$ 191,986	\$ 183,329	\$ 187,190	\$ 211,529	\$ 207,285	\$ 205,542	\$ 199,698	\$ 194,635
Restricted	27,430	43,136	32,536	21,454	18,456	16,722	16,417	17,126	9,442	13,122
Unrestricted	5,895	(1,803)	(6,556)	10,365	11,781	5,770	1,640	(1,184)	2,084	(64,109)
Total business-type activities net position	<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>\$ 221,484</u>	<u>\$ 143,648</u>
Primary government										
Net investment in capital assets	\$ 658,840	\$ 703,549	\$ 783,582	\$ 736,175	\$ 734,803	\$ 809,323	\$ 809,844	\$ 832,519	\$ 842,405	\$ 843,265
Restricted	149,417	165,501	128,168	104,997	187,431	137,050	99,853	83,784	50,061	71,292
Unrestricted	(38,995)	(74,607)	(114,702)	(91,756)	(145,515)	(224,069)	(239,113)	(316,701)	(369,635)	(1,347,012)
Total primary government net position	<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>	<u>\$ (432,455)</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 67,301	\$ 82,702	\$ 95,832	\$ 102,200	\$ 119,387	\$ 154,138	\$ 136,679	\$ 166,709	\$ 177,758	\$ 145,574
Neighborhood business development	34,379	38,726	41,930	34,908	41,888	43,480	38,195	25,883	31,641	33,522
Environmental services	33,166	34,574	43,954	36,819	43,419	45,366	45,209	42,010	50,473	44,742
Transportation	23,380	21,312	14,946	8,098	4,094	8,982	22,674	24,987	24,743	36,007
Emergency communications	16,416	16,966	17,765	19,281	23,218	22,853	23,141	24,369	25,752	22,993
Police department	123,793	126,085	133,107	128,413	143,722	143,880	147,566	157,406	163,702	155,441
Fire department	69,232	69,949	71,028	69,022	82,560	78,226	79,577	85,311	87,741	82,995
Library	12,387	12,723	12,161	13,143	13,958	13,878	14,003	15,739	15,705	14,017
Recreation and youth services	20,311	10,355	17,743	18,225	18,818	18,069	18,954	20,361	19,039	17,935
Education	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100
Interest on long-term debt	3,872	3,644	3,445	3,071	3,664	4,596	4,483	4,535	4,295	4,032
Total governmental activities expenses	523,337	536,136	571,011	552,280	613,828	652,568	649,581	686,410	719,949	676,358
Business-type activities:										
Water	27,632	28,499	31,089	31,960	33,206	31,348	36,081	33,076	34,549	35,973
Parking	5,163	7,634	7,195	11,463	7,580	17,039	15,466	15,595	29,238	15,115
War Memorial	2,992	2,821	2,757	2,590	2,696	2,526	2,443	2,068	2,449	2,632
Refuse	24,602	24,800	26,603	26,637	27,383	26,850	29,703	28,978	29,986	30,777
Cemetery	1,789	2,398	1,770	2,118	3,016	2,679	3,025	3,565	3,522	3,264
Public Market	1,276	555	1,054	1,557	789	899	1,065	1,101	2,012	1,842
Total business-type activities expenses	63,454	66,707	70,468	76,325	74,670	81,341	87,783	84,383	101,756	89,603
Total primary government expenses	\$ 586,791	\$ 602,843	\$ 641,479	\$ 628,605	\$ 688,498	\$ 733,909	\$ 737,364	\$ 770,793	\$ 821,705	\$ 765,961
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 10,987	\$ 13,121	\$ 15,681	\$ 10,500	\$ 40,648	\$ 69,563	\$ 71,570	\$ 74,205	\$ 80,035	\$ 83,268
Neighborhood business development	3,491	4,720	4,090	4,529	3,740	3,681	7,080	6,497	5,990	5,653
Environmental services	21,713	20,663	22,959	18,511	19,058	19,552	20,351	20,291	20,687	21,059
Transportation	386	942	975	970	940	1,048	946	1,106	1,392	1,045
Emergency communications	13,113	13,345	15,896	14,473	17,220	16,474	17,337	17,528	17,269	18,060
Police department	8,062	8,234	6,989	9,084	10,961	6,470	7,059	8,412	6,426	5,018
Fire department	887	809	843	1,268	1,860	2,185	2,066	1,960	2,799	2,646
Library	2,933	3,112	3,202	2,603	2,729	2,455	2,730	2,658	2,529	2,585
Recreation and youth services	3,322	2,280	1,864	1,589	1,243	1,196	1,717	1,044	1,163	1,508
Operating grants and contributions	33,162	37,669	37,318	31,754	70,831	38,495	43,486	33,289	38,226	36,161
Capital grants and contributions	15,984	20,851	45,201	23,008	30,137	19,769	16,065	18,166	37,791	35,019
Total governmental activities program revenues	114,040	125,746	155,018	118,289	199,367	180,888	190,407	185,156	214,307	212,022

Continued

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

	Continued									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:										
Water	\$ 33,018	\$ 32,995	\$ 34,538	\$ 35,988	\$ 37,705	\$ 36,579	\$ 36,925	\$ 37,298	\$ 39,022	\$ 39,156
Parking	3,139	4,437	9,040	9,805	10,899	11,823	12,704	11,553	17,033	11,578
War Memorial	1,781	1,452	1,406	1,571	1,586	1,342	913	994	932	128
Refuse	24,817	24,452	26,001	25,724	25,534	25,675	26,196	27,317	27,843	28,572
Cemetery	1,117	1,062	1,232	1,370	1,767	1,557	1,532	1,467	1,531	1,395
Public Market	675	749	716	730	774	824	789	819	724	935
Operating grants and contributions	—	—	—	—	—	115	—	—	—	—
Capital grants and contributions	4,994	905	1,754	—	—	20,578	1,374	1,433	4,160	278
Total business-type activities program revenues	69,541	66,052	74,687	75,188	78,265	98,493	80,433	80,881	91,245	82,042
Total primary government program revenues	<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>	<u>\$ 294,064</u>
Net (expense)/revenue										
Governmental activities	\$ (409,297)	\$ (410,390)	\$ (415,993)	\$ (433,991)	\$ (414,461)	\$ (471,680)	\$ (459,174)	\$ (501,252)	\$ (505,642)	\$ (464,336)
Business-type activities	6,087	(655)	4,219	(1,137)	3,595	17,152	(7,350)	(3,502)	(10,511)	(7,561)
Total primary government net expense	<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>	<u>\$ (471,897)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 141,531	\$ 141,319	\$ 146,544	\$ 146,698	\$ 147,218	\$ 148,913	\$ 152,593	\$ 152,921	\$ 154,506	159,165
Sales taxes	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945	148,263	153,971
Payment in-lieu of tax	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238	12,367	13,600
Other taxes	25,711	13,251	13,897	12,654	12,691	8,527	8,410	7,619	8,354	8,937
Governmental aid - (unrestricted)	131,431	108,437	106,069	104,323	120,271	104,821	108,673	103,420	101,269	99,677
Investment earnings	3,228	2,938	781	1,499	4	1,401	1,476	1,576	1,819	1,831
Miscellaneous	2,330	1,492	1,519	2,062	12,846	4,845	5,923	7,035	7,178	5,202
Proceeds of general obligation debt	—	—	—	—	—	—	—	—	—	—
Transfers	(916)	4,593	11,441	5,533	3,697	5,374	5,374	5,374	5,374	5,217
Total governmental activities	425,392	406,325	420,786	419,465	437,808	425,957	433,159	434,128	439,130	447,600
Business-type activities:										
Taxes										
Property taxes	3,379	5,557	2,142	2,330	1,998	2,224	2,635	2,641	3,366	2,890
Other taxes	1,131	905	1,131	679	905	905	906	905	905	905
Governmental aid	1,133	157	11	160	7	433	5	5	60	77
Investment earnings	711	793	308	401	57	174	389	238	325	398
Miscellaneous	1,472	1,480	1,442	1,616	1,091	1,080	975	1,229	969	1,233
Gain on Sale of land	—	13,466	—	—	—	—	—	—	—	—
Transfers	(4,593)	(11,441)	(5,533)	(3,574)	(5,374)	(5,374)	(5,374)	(5,374)	(5,374)	(5,217)
Total business-type activities	3,233	10,917	(499)	1,612	(1,316)	(558)	(464)	(356)	251	286
Total primary government	<u>\$ 428,625</u>	<u>\$ 417,242</u>	<u>\$ 420,287</u>	<u>\$ 421,077</u>	<u>\$ 436,492</u>	<u>\$ 425,399</u>	<u>\$ 432,695</u>	<u>\$ 433,772</u>	<u>\$ 439,381</u>	<u>\$ 447,886</u>
Change in Net Position										
Governmental activities	\$ 21,604	\$ 2,783	\$ (1,115)	\$ (16,362)	\$ 25,024	\$ (45,723)	\$ (26,015)	\$ (67,124)	\$ (66,512)	(16,736)
Business-type activities	9,320	10,262	3,720	475	2,279	16,594	(7,814)	(3,858)	(10,260)	(7,275)
Total primary government	<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>\$ (76,772)</u>	<u>\$ (24,011)</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property tax	\$144,910	\$146,876	\$148,686	\$149,028	\$149,216	\$151,137	\$155,228	\$155,562	\$154,506	159,165
Sales tax	122,077	123,392	129,467	135,941	136,409	140,551	139,782	144,945	148,263	153,971
Payment in-lieu of tax	—	10,903	11,068	10,755	4,672	11,525	10,928	11,238	12,367	13,600
Other taxes	<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>	<u>8,937</u>
Total taxes	<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>	<u>\$335,673</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Reserved	\$ 21,033	\$ 20,679	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved	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	47,874
Assigned	—	—	15,998	15,686	28,540	27,923	30,753	39,939	37,029	37,731
Unassigned	—	—	4,920	4,860	4,870	5,152	5,030	5,672	5,670	5,700
Total general fund	29,559	33,970	67,623	65,810	68,633	80,910	85,938	87,247	90,534	91,305
All other governmental funds										
Reserved	133,568	137,407	—	—	—	—	—	—	—	—
Unreserved, designated for subsequent yr's expenditures	2,028	462	—	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	3,987	7,119	—	—	—	—	—	—	—	—
Capital projects funds	(1,260)	15,631	—	—	—	—	—	—	—	—
Permanent funds	6,621	6,744	—	—	—	—	—	—	—	—
Nonspendable, reported in:										
Other governmental funds	—	—	6,845	—	—	—	—	—	4,606	—
Restricted, reported in:										
Debt service funds	—	—	6,216	4,037	11,653	8,689	5,070	8,274	3,241	5,063
Capital projects funds	—	—	453	—	1,066	—	—	—	6,641	—
Special revenue/Community development funds	—	—	4,870	3,655	9,051	4,798	4,667	3,901	—	3,477
Other governmental funds	—	—	9,589	9,810	4,737	4,389	4,989	5,394	28,139	6,711
Committed, reported in:										
Capital projects funds	—	—	60,095	63,185	119,042	81,463	69,865	42,605	8,064	34,780
Special revenue/Community development funds	—	—	5	1,057	5,372	5,473	411	872	—	4,314
Other governmental funds	—	—	1,942	6,445	11,143	8,824	8,495	8,771	16,262	8,459
Assigned, reported in:										
Debt service funds	—	—	13,484	13,716	15,281	15,615	15,780	15,979	14,632	12,515
Capital projects funds	—	—	1,877	581	859	677	606	563	—	29
Other governmental funds	—	—	8,473	9,304	11,173	10,970	11,006	13,110	(17,726)	13,897
Unassigned, reported in:										
Capital projects funds	—	—	—	(8,959)	—	—	(16,181)	(8,967)	—	(4,843)
Other governmental funds	—	—	—	(369)	—	—	—	—	—	—
Total all other governmental funds	144,944	167,363	113,849	102,462	189,377	140,898	104,708	90,502	67,255	83,482
Total all governmental funds	\$ 174,503	\$ 201,333	\$ 181,472	\$ 168,272	\$ 258,010	\$ 221,808	\$ 190,646	\$ 177,749	\$ 157,789	\$ 174,787

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Real property tax	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055	\$ 149,507	\$ 148,791	\$ 153,969	\$ 155,756	\$ 158,343	161,231
Sales tax	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550	147,978	153,510
Other taxes	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857	20,721	22,537
Departmental	43,530	46,105	47,937	39,967	44,367	43,371	49,225	47,801	48,155	47,156
Interest on investments	—	—	—	—	3	—	—	—	—	—
Use of money and property	4,254	3,316	872	1,264	9,121	766	821	3,409	1,001	901
Licenses and permits	2,384	2,693	2,785	3,157	3,141	3,384	3,175	3,894	3,420	3,496
Federal aid	26,132	33,934	47,968	33,442	49,122	37,067	35,610	23,265	37,205	42,201
State aid	143,471	123,231	133,325	117,404	133,952	115,867	120,854	119,449	123,733	115,515
Local sources and other	29,587	28,597	30,220	31,127	37,444	32,771	36,186	38,114	40,807	37,502
Ferry	—	—	—	—	—	—	—	—	—	—
Total revenues	543,568	527,643	561,460	533,232	580,352	542,296	558,994	555,095	581,363	584,049
Expenditures										
Council and clerk	1,674	1,726	—	—	—	—	—	—	—	—
Administration	11,047	8,660	—	—	—	—	—	—	—	—
Law	1,898	1,757	—	—	—	—	—	—	—	—
Information technology	3,579	3,786	—	—	—	—	—	—	—	—
Finance	5,180	4,066	—	—	—	—	—	—	—	—
Neighborhood business development	21,600	33,971	33,678	29,833	33,489	37,985	39,104	25,280	22,107	24,347
Economic development	1,545	—	—	—	—	—	—	—	—	—
Environmental services	36,082	35,844	30,272	23,213	25,262	28,498	30,708	29,345	34,003	33,666
Emergency communications	10,189	10,493	11,194	12,164	14,853	12,906	12,810	11,621	13,443	13,520
Police	77,775	78,253	84,121	83,279	85,061	87,439	87,908	89,431	93,955	95,115
Fire	42,412	42,297	42,594	42,655	48,212	46,560	46,363	47,298	49,861	50,775
Library	10,687	11,029	11,220	10,602	10,708	11,030	11,122	12,929	12,761	11,629
Recreation & youth services	12,967	9,264	11,833	11,581	9,489	11,394	11,412	11,303	11,031	10,843
Undistributed	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	58,057	72,363	—	—	—	—	—	—	—	—
Debt service:										
Principal retirement	37,620	15,125	16,149	14,269	12,450	17,389	17,875	14,765	15,893	14,426
Interest	4,476	3,184	3,850	3,138	3,247	4,715	4,522	4,548	4,400	4,009
Administrative charges	—	—	204	27	124	16	7	7	14	4
General government	—	—	118,204	124,998	135,018	124,930	144,892	160,000	169,152	151,510
Transportation	—	—	5,814	5,438	5,311	5,211	8,858	22,286	31,140	4,374
Capital outlay:										
General government	—	—	71,601	44,599	42,618	45,704	31,745	22,141	19,450	26,350
Neighborhood business development	—	—	659	352	221	78	5	—	18	758
Environmental services	—	—	—	1,471	5,878	5,577	2,477	—	131	817
Transportation	—	—	14,193	19,474	19,215	20,124	22,945	15,277	9,565	34,845
Police department	—	—	—	—	133	736	—	807	—	—
Fire department	—	—	—	—	9	98	—	418	—	—
Library	—	—	1,717	755	1,067	1,054	1,003	758	245	602
Recreation and youth services	—	—	3,530	753	920	1,673	392	76	452	1,602
Total expenditures	545,782	540,842	579,933	547,701	572,385	582,217	593,252	587,390	606,721	598,292
Excess of revenues over (under) expenditures	(2,214)	(13,199)	(18,473)	(14,469)	7,967	(39,921)	(34,258)	(32,295)	(25,358)	(14,243)
Other financing sources (uses)										
Transfers in	88,831	81,231	84,914	58,941	—	35,378	60,110	41,428	45,110	45,370
Transfers out	(88,079)	(71,164)	(88,118)	(57,623)	(54,497)	(31,704)	(57,014)	(42,652)	(39,815)	(41,235)
Payment to refunded bond escrow agent	—	—	—	—	(11,055)	—	—	—	—	—
Premium on bond issued	—	—	—	—	708	—	—	—	170	1,876
Refunding bonds issued	—	—	—	—	10,450	—	—	—	1,424	25,833
Transfers from other funds	—	—	—	—	55,011	—	—	—	—	—
Proceeds of general obligation debt (capital projects)	—	29,962	1,767	—	81,154	—	—	20,622	—	—
Capital contributions	—	—	—	—	—	45	—	—	(1,490)	—
Total other financing sources (uses)	752	40,029	(1,437)	1,318	81,771	3,719	3,096	19,398	5,399	31,844
Net change in fund balances	\$ (1,462)	\$ 26,830	\$ (19,910)	\$ (13,151)	\$ 89,738	\$ (36,202)	\$ (31,162)	\$ (12,897)	\$ (19,959)	\$ 16,998
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%	3.46%

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property tax	\$144,594	\$141,446	\$144,393	\$148,055	\$149,507	\$148,791	\$153,969	\$155,756	\$ 158,343	\$161,231
Sales tax	149,616	123,338	128,995	135,407	136,332	140,227	139,816	144,550	147,978	153,510
Other taxes	—	24,983	24,965	23,409	17,363	20,052	19,338	18,857	20,721	22,537
Total taxes	<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>	<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		Assessed Value	Estimated Actual Value	Estimated Actual Value	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
	Municipal Purposes	Veterans Exemption (1)	School Purposes	Municipal Purposes	School Purposes				
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
2018	6,450,304	10,231	6,460,535	6,650,484	6,661,032	96.99%	2.70%	18.33	39.45

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)		
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
2018	Homestead	5.83	12.50	18.33	9.17	27.50
	Nonhomestead	12.52	26.93	39.45	9.17	48.62

(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
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			
2009	196,088	181,218	92.42%	7,823	189,041	96.41%	4,220	20,890	10.65%
2010	197,219	182,281	92.43%	8,965	191,246	96.97%	1,182	21,084	10.69%
2011	201,211	185,325	92.10%	9,360	194,685	96.76%	5,833	17,189	8.54%
2012	205,558	189,505	92.19%	9,919	199,424	97.02%	1,940	17,492	8.51%
2013	206,013	190,291	92.37%	11,322	201,613	97.86%	1,347	17,596	8.54%
2014	206,188	191,616	92.93%	10,922	202,538	98.23%	697	21,197	10.28%
2015	213,694	198,289	92.79%	11,131	209,420	98.00%	1,568	24,043	11.25%
2016	213,823	198,982	93.06%	10,285	209,267	97.87%	1,860	25,849	12.09%
2017	217,466	203,176	93.43%	9,935	213,111	98.00%	3,211	23,558	10.83%
2018	219,298	205,190	93.57%	N/A	205,190	93.57%	427	23,471	10.70%

Notes:

- (1) Tax exempt properties with an assessed value of \$706,990,550 made payments in lieu of taxes amounting to \$13,583,312 for the fiscal year ending June 30, 2018. If these properties had been fully taxable, total revenues would have increased by \$13,158,587. 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
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS PRIOR
JUNE 30, 2018
(000's Omitted)**

	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Rochester Gas and Electric	\$905,995	1	14.05%	\$636,035	1	11.18%
Buckingham Properties	73,931	2	1.15%	33,025	4	0.58%
Eastman Kodak Co.	59,877	3	0.93%	78,852	2	1.39%
Frontier Telephone Corp.	54,494	4	0.84%	75,736	3	1.33%
CSX (Conrail)	25,523	5	0.40%	15,105	10	0.27%
Clinton Asset Holding	25,000	6	0.39%	—	—	—
Maguire Family Properties	21,421	7	0.33%	18,943	5	0.33%
Anthony Dimarzo	15,017	8	0.23%	—	—	—
Carestream Health Inc.	12,859	9	0.20%	—	—	—
Farash Corp.	11,600	10	0.18%	16,556	7	0.29%
Chase Manhattan	—	—	—%	18,670	6	0.33%
Xerox	—	—	—%	16,296	8	0.29%
Landsman Development Corp.	—	—	—%	15,126	9	0.27%
Totals	<u>\$1,205,717</u>		<u>18.69%</u>	<u>\$924,344</u>		<u>16.24%</u>

Note:

- 1) The total taxable assessed value of \$6,450,303,764 was used for fiscal year 2017-18 taxes.
- 2) The total taxable assessed value of \$5,690,818,080 was used for fiscal year 2008-09 taxes.

Source: Assessment Roll of the City of Rochester

**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			
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	1.62%	776
2016	101,754	82,096	183,850	1.83%	880
2017	85,018	72,073	157,091	1.48%	755
2018	97,307	72,566	169,873	N/A	N/A

Note:

- 1) Population figures from US Census Bureau (www.quickfacts.census.gov).
- 2) Per Capita Personal Income figures for Monroe County from US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).
- 3) The City of Rochester does not have any capital leases to present.

**THE CITY OF ROCHESTER, NEW YORK
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

(000's Omitted, except per capita amount)

Fiscal Year	Total Primary Government General Obligation Bonds	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita (1)
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
2018	169,873	20,782	149,091	2.31%	717

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, 2018
(000's Omitted)**

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Rochester	Amount Applicable to City of Rochester
City of Rochester	\$97,307	100%	\$97,307
County of Monroe (1)	519,934	15.15%	78,770
Total	\$617,241		\$176,077

(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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$522,808	\$522,785	\$529,676	\$530,872	\$529,709	\$532,221	\$542,837	\$544,119	\$551,650	\$571,293
Total net debt applicable to limit	350,662	338,141	320,038	311,105	331,979	323,825	312,336	313,593	301,104	288,152
Legal debt margin	<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>	<u>\$283,141</u>
Total net debt applicable to the limit as a percentage of debt limit	67.07%	64.68%	60.42%	58.60%	62.67%	60.84%	57.54%	57.63%	54.58%	50.44%

Legal Debt Margin Calculation for Fiscal Year 2018

Indebtedness

Borrowings (Bonds and Notes)	\$342,543	(1)	
Contract liabilities	—	(2)	\$342,543

Deductions and Exclusions

Water Bonds and Notes	53,070	(3)	
Sanitary Sewer Bonds and Notes	—	(3)	
School - RJSCB note	—		
Appropriation	—	(4)	
Cash and cash equivalents	<u>1,321</u>	(5)	<u>54,391</u>

Net indebtedness			288,152
Debt limit (9% of five-year average full valuation)			<u>571,293</u>
Debt Contracting Margin			<u><u>\$283,141</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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population (1)	207,294	210,565	210,855	210,515	210,358	209,983	209,802	208,880	208,046	208,046
Total Personal Income Monroe County (2)	\$30,023,274	\$30,937,578	\$32,427,418	\$34,197,629	\$33,730,384	\$34,179,862	\$35,847,022	\$36,057,927	N/A	N/A
Per Capital Personal Income Monroe County (2)	\$40,387	\$41,529	\$43,369	\$45,661	\$44,952	\$45,568	\$47,857	\$48,223	N/A	N/A
School District Enrollment (3)	32,132	31,511	31,247	30,734	29,197	29,103	28,401	27,611	26,984	26,984
Unemployment Rate (4)	10.2%	10.8%	10.6%	10.8%	9.6%	8.1%	6.9%	6.5%	6.9%	6.8%
Employed (4)	85,200	86,000	85,100	85,300	85,500	84,500	85,400	85,200	84,600	84,600

Source:

- (1) 2009 - 2017 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable, 2017 population used for 2018.
- (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 July 2018) for City of Rochester.

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

	2018			2009		
	Employees (1)	Rank	Percentage of Total Employment (2)	Employees (1)	Rank	Percentage of Total Employment (2)
University of Rochester/Strong Memorial Hospital	29,003	1	5.63%	18,671	1	3.47%
Rochester Regional Health System (3)	15,943	2	3.09%	—	—	—
Wegmans Food Markets Inc.	13,491	3	2.62%	13,683	2	2.55%
Xerox Corporation	5,500	4	1.07%	7,636	4	1.42%
Paychex	4,425	5	0.86%	3,115	9	0.58%
Rochester Institute of Technology	4,100	6	0.80%	3,435	8	0.64%
Lifetime Healthcare Cos. Inc.	3,443	7	0.67%	3,649	7	0.68%
Harris Corporation	3,400	8	0.66%	2,200	10	0.41%
Sutherland Global Services Inc.	2,952	9	0.57%	—	—	—
YMCA of Greater Rochester	2,544	10	0.49%	—	—	—
Eastman Kodak Company	—	—	—	9,200	3	1.71%
ViaHealth	—	—	—	7,005	5	1.30%
Unity Health System	—	—	—	5,222	6	0.97%
Hillside Family of Agencies	—	—	—%	2,200	10	0.41%

(1) Source: Rochester Business Journal The Lists - 2018 Edition.

(2) Employment source: www.labor.state.ny.us employment data as of 12/31/17 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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City Council and Clerk	27.2	26.7	26.7	25.7	23.1	23.1	23.1	23.8	23.3	23.2
Administration	208.3	138.9	136.1	92.5	92.9	93.5	97.4	107.1	110.1	107.9
Information Technology	43.6	47.6	48.5	49.5	49.6	54.2	54.8	54.8	55.2	54.8
Finance	94.4	107.0	106.4	95.9	102.6	106.9	110.9	110.5	109.8	103.7
Neighborhood & Business Development (1)	—	154.5	153.2	140.0	137.6	138.2	138.7	136.0	136.9	137.4
Community Development	90.8	—	—	—	—	—	—	—	—	—
Economic Development	20.8	—	—	—	—	—	—	—	—	—
Environmental Services	728.2	716.1	712.6	684.7	679.2	682.1	721.1	728.3	731.6	731.6
Emergency Communications	192.6	198.6	196.7	234.8	231.6	231.7	233.9	233.1	230.4	228.1
Police	989.5	958.9	963.3	930.7	940.0	939.0	905.4	903.6	939.1	939.9
Fire	537.9	534.9	525.2	513.4	518.2	527.2	523.5	525.3	532.6	520.8
Library	169.7	166.6	168.4	154.3	146.2	142.2	140.4	138.8	139.5	133.4
Recreation & Youth Services	195.4	194.8	192.4	198.9	188.0	198.1	202.2	201.5	211.3	209.8
Total	3,298.4	3,244.6	3,229.5	3,120.4	3,109.0	3,136.2	3,151.4	3,162.8	3,219.8	3,190.6

Full-time Employees
Last Ten Fiscal Years

City	2,893	2,840	2,801	2,719	2,703	2,714	2,723	2,734	2,747	2,736
School District	6,296	6,053	5,579	5,256	5,365	5,221	5,618	5,740	6,022	6,315
Total	9,189	8,893	8,380	7,975	8,068	7,935	8,341	8,474	8,769	9,051

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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	Estimated 2018
Emergency Communications										
Calls received	1,060,971	1,050,971	1,083,485	1,132,135	1,140,707	1,125,130	1,150,976	1,178,101	1,204,047	1,143,690
Police										
Calls for service	395,883	416,876	411,421	403,312	357,076	341,567	358,239	351,012	339,630	340,952
Reported crimes	41,593	44,296	45,576	30,119	31,638	25,890	22,398	22,907	22,204	21,828
Fire										
Unit responses	53,226	47,539	46,553	42,112	43,440	42,366	44,977	46,283	44,162	44,584
Refuse										
Residential accounts	52,337	52,340	52,408	52,030	52,446	51,277	51,519	51,773	51,351	51,444
Commercial accounts	2,672	2,663	2,478	2,416	2,386	2,393	2,464	2,552	2,614	2,689
Total tonnage	106,687	104,282	104,886	100,819	97,606	99,201	106,450	106,839	107,109	107,000
Water										
Millions of gallons per day:										
Filtration plant production	37.29	37	37	36.4	37.6	37.4	37.5	36.3	36.66	37.9
City water demand	28.9	27.86	28.32	27.33	27.8	28.2	29.8	28.5	27.01	26.8
Library										
Total circulation	1,474,828	1,540,559	1,559,881	1,403,642	1,436,899	1,362,970	1,312,304	1,238,353	1,184,341	1,439,832
Door Count/Visits	1,636,686	1,709,054	1,750,800	1,743,885	1,830,930	1,859,661	1,697,882	1,517,576	1,465,962	1,354,314
Computer Use Sessions	398,995	424,429	428,799	392,914	396,752	373,830	340,972	297,738	279,942	247,569
Wireless Use	—	—	—	—	—	—	—	—	—	135,755
Parking										
Total parking spaces	8,926	11,008	10,887	10,642	10,642	10,642	12,260	12,260	12,260	10,572
Annual car counts	2,667,998	2,574,767	2,574,767	2,485,920	2,569,680	2,571,280	2,571,644	2,574,170	2,569,640	2,310,223
Parks and Recreation										
Convention Center attendance	279,618	279,618	241,951	244,575	226,176	255,000	250,000	251,305	207,941	209,925
War Memorial/Blue Cross Arena										
Total attendance	509,644	366,828	460,672	583,412	624,456	399,000	380,000	386,682	441,428	383,110

Source: City of Rochester Budget & Departments

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Miles of streets	540	540	540	540	532	532	532	533	533	533
Parking garages	8	8	8	8	8	8	9	9	8	8
Libraries	11	11	11	11	11	11	11	11	11	11
Fire houses	15	15	15	15	15	16	16	16	16	16
City-owned street lights (1)	16,400	16,500	27,849	27,800	27,949	28,110	28,110	28,191	28,185	28,329
Fire hydrants	7,287	7,686	7,686	7,843	7,634	7,638	7,655	7,654	7,662	7,642

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, 2018, 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 20, 2018.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

City of Rochester's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 20, 2018



**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, 2018. 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 expended \$73,897,477 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards during the year ended June 30, 2018. 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* 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, 2018.

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 20, 2018

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
CDBG Cluster:				
Community Development Block Grants/Entitlement Grants	N/A	14.218	\$ 777,757	\$ 10,808,202
Total CDBG Cluster			777,757	10,808,202
Emergency Solutions Grant Program	N/A	14.231	703,174	765,536
Home Investment Partnerships Program	N/A	14.239	353,679	1,576,620
Housing Opportunities for Persons with AIDS	N/A	14.241	628,355	642,503
Lead Hazard Reduction Demonstration Grant Program	N/A	14.905	104,736	1,970,430
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,567,701</u>	<u>15,763,291</u>
U.S. DEPARTMENT OF COMMERCE				
Direct Programs:				
Economic Development Cluster:				
Investments for Public Works and Economic Development Facilities	N/A	11.300	—	225,624
Total Economic Development Cluster			=	225,624
TOTAL U.S. DEPARTMENT OF COMMERCE			=	<u>225,624</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.738	—	223,333
Pass Through from New York State Division of Criminal Justice Services:				
Violence Against Women Formula Grants	C652156	16.588	—	36,410
Pass Through from New York State Office of Victim Services:				
Crime Victim Assistance	C100294	16.575	—	254,915
Pass Through from County of Monroe:				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	2014-WE-AX-0029; 2017-WE-AX-0050	16.590	—	35,501
Pass Through from Rochester Institute of Technology:				
Project Safe Neighborhoods	2014-GPBX-0004 /31496-02	16.609	=	77
TOTAL U.S. DEPARTMENT OF JUSTICE			=	<u>550,236</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Pass Through from New York State Department of Transportation:				
Highway Planning and Construction Cluster:				
	D013824; D017599; D035824 D022408; D031733; D033366 D033512; D033808; D034268 D034272; D034682; D034839 D034872; D034873; D034908 D034955; D034960; D034995 D035003; D035068; D035089 D035408; D035409; D035465 D035467; D035650; D035673			
Highway Planning and Construction	D035674; D035768	20.205	=	17,001,111
Total Highway Planning and Construction Cluster			=	17,001,111

THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	CFDA Number	Pass-Through to Subrecipients	Expenditures
Highway Safety Cluster:				
Pass Through from New York State Governor's Traffic Safety Board: Child Safety and Child Booster Seats Incentive Program	PD-00102-028, PD-0022-028	20.613	—	1,927
Pass Through from New York State Governor's Traffic Safety Board & County of Monroe: State and Community Highway Safety	G240500005.1617	20.600	—	<u>2,868</u>
Total Highway Safety Cluster			=	4,795
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			=	<u>17,005,906</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program:				
Brownfields Assessment & Cleanup Cooperative Agreements	N/A	66.818	=	<u>251,235</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			=	<u>251,235</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct Program:				
Teenage Pregnancy Prevention Program	N/A	93.297	356,836	782,553
Pass Through from New York State Department of Health:				
Maternal and Child Health Services Block Grant to the States	DOH01-C32108GG	93.994	—	25,973
Medicaid Cluster: Medical Assistance Program	DOH01-C32108GG	93.778	99,313	<u>216,649</u>
Total Medicaid Cluster			99,313	<u>216,649</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			456,149	<u>1,025,175</u>
CORPORATION FOR NATIONAL & COMMUNITY SERVICE:				
Pass Through from New York State Commission on National & Community Service: AmeriCorps	C027778	94.006	=	<u>223,172</u>
TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE			=	<u>223,172</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Homeland Security Grant Program	WM15153741	97.067	=	<u>506,604</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			=	<u>506,604</u>
U.S. DEPARTMENT OF AGRICULTURE:				
Pass Through from New York State Department of Education				
Child Nutrition Cluster:				
Summer Food Service Program for Children	36-079500	10.559	—	<u>252,870</u>
Total Child Nutrition Cluster			=	<u>252,870</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			=	<u>252,870</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$	<u>3,023,850</u>
			\$	<u>35,804,113</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$279,600 in the 2018 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 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, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG Cluster
14.239	Home Investment Partnerships Program
14.905	Lead Hazard Reduction Demonstration Grant Program

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

\$ 1,074,123

Auditee qualified as low-risk auditee? yes no

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018 (CONTINUED)

II. FINANCIAL STATEMENT FINDINGS

2018-001 Data Collection Form

Criteria: In accordance with Title 2, Subtitle A, Chapter II, Part 200, Section 200.512 of the Uniform Guidance, the City is required to complete and submit a data collection form and reporting package within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Condition: The City filed their data collection form subsequent to the filing deadline put forth by the Uniform Guidance.

Cause: The City did not have a control process in place to properly monitor the completion and submission of the data collection form in accordance with the timeline required.

Effect or potential effect: The City is not within compliance requirements of the Uniform Guidance related to the filing deadline of the data collection form and is considered a high risk auditee related to the single audit for two fiscal years subsequent to June 30, 2017.

Recommendation: We recommend that the City implement a process to monitor the completion and submission of the data collection form to ensure compliance with the requirements of the Uniform Guidance.

Views of responsible officials: The City has implemented a process to ensure compliance of the submission of the data collection form and reporting package. The new process will monitor the completion and submission of the data collection form and reporting package to ensure they are filed within the earlier of 30 calendar days after the receipt of the auditor's report(s), or nine months after the end of the audit period. This will ensure compliance with the requirements of the Uniform Guidance.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the year ended June 30, 2018.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted for the fiscal year ended June 30, 2017.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2017.

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, 2018. 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, 2018.

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 20, 2018



THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED JUNE 30, 2018

	Grant Number	NYS DOT Expenditures
STATE OF NEW YORK:		
DEPARTMENT OF TRANSPORTATION:		
Snow & Ice Control	D005375	\$ 72,839
Broad Street Bridge	D013824	880,652
Mt. Hope & E. Henrietta	D022408	374
Asphalt Maint and Repair (Goodman/Clinton)	D025863	265,116
Asphalt Maint and Repair (Goodman/Main)	D027485	250,866
Ridgeway Avenue	D031733	91,318
Lake Avenue - Merrill	D033366	20,437
Winton Road North	D033808	6,825
Dewey/Driving Park realignment	D034268	121,149
Asphalt Maint and Repair (East/University)	D034272	1,309
Asphalt Maint and Repair (Goodman/Main)	D034839	252,142
Asphalt Maint and Repair (Arnes/Bufalo)	D034872	61,468
Asphalt Maint and Repair (Arnett/GPB/Webster)	D034873	315,470
Asphalt Maint and Repair (S. Goodman)	D034955	149,052
Asphalt Maint and Repair (Clifford/Norton/Ridge)	D034960	2,959
Asphalt Maint and Repair (Browncroft/Merchants/Central)	D034995	211,652
Mt. Hope Ave Phase 2	D035003	45,939
Driving Pk over Genesee Prev Maint	D035068	379,795
Center City 2 Way	D035089	24,790
Asphalt Maint and Repair (Beach/Dewey/Lake)	D035408	19,943
Asphalt Maint and Repair (Hudson/St Paul)	D035409	4,919
Asphalt Maint and Repair (Alexander/Scio)	D035465	30,996
Asphalt Maint and Repair (Upper Falls/St Paul)	D035467	20,990
Asphalt Maint and Repair (Lyell)	D035650	3,920
Extreme Weather Recovery		534,947
PAVE NY Program		834,473
Consolidated Street & Highway Improvements		3,655,780
Total NYS DOT expenditures		<u>\$ 8,260,120</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO THE SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2018**

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.

