

THE CITY OF ROCHESTER, NEW YORK
Comprehensive Annual Financial Report
Year Ended June 30, 2012

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Department of Finance

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ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

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INTRODUCTORY SECTION



January 30, 2013

The Honorable Members of the City Council
The City of Rochester, New York

Ladies and Gentlemen:

In accordance with provisions of the City Charter, I hereby transmit the annual financial report of the City of Rochester as of and for the year ended June 30, 2012. The accounting firm selected by City Council, Freed Maxick CPAs PC, has audited the financial statements. The auditors' unqualified opinion is included in this report.

In each of the past twenty-eight 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 2012 financial report continues to meet the requirements of the Certificate of Achievement Program.

The preparation of this annual financial report could not have been accomplished without the dedicated effort of the Finance Director and his entire staff. Their efforts over the past years toward upgrading the accounting and financial reporting systems of the City of Rochester have led to the improved quality of the information being reported to the City Council and the citizens of the City of Rochester.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. Richards".

Thomas S. Richards
Mayor





January 30, 2013

**The Mayor
The City of Rochester, New York**

I am pleased to submit the Comprehensive Annual Financial Report of the City of Rochester for the fiscal year ended June 30, 2012. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Freed Maxick CPAs PC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Rochester's financial statements for the year ended June 30, 2012. 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. MD&A complement this letter of transmittal and should be read in conjunction with it.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, and independent accountants' reports on internal control and compliance with applicable laws and regulations, is included in the single audit section of this report.

PROFILE OF THE GOVERNMENT

The City, located in Monroe County on Lake Ontario, approximately midway between Buffalo and Syracuse, encompasses approximately 37 square miles. Rochester was recorded as the third largest city in New York State by the 2010 census updates with a population currently estimated at 210,565. It is divided into 66,323 real estate parcels, and serviced by 540 miles of public ways. Rochester is served by three bus lines; the New York Thruway; and twenty-three airlines (six major and seventeen regional) at the Greater Rochester International Airport. This airport also offers support facilities for private aircraft. Rail passenger service is provided by Amtrak, and railway freight service is provided by CSX and Genesee & Wyoming, Inc., a regional railroad. Water transportation service is provided by the Erie Canal and through the Port of Rochester.

Incorporated as a village in 1814 and as a city in 1834, Rochester is governed by a Mayor, who is directly elected by popular vote to a four-year term of office. As the chief executive officer and the administrative head of government, the Mayor is responsible for the administration of all City affairs, including the appointment of all department heads. The nine-member City Council is responsible for the legislative affairs of City government. Each Council member is elected to a four-year term; four by districts representing approximately one-quarter of the City's area, and five by a city-wide vote. The members of City Council elect a President, who presides at Council meetings and ceremonial occasions, and who provides the Council with leadership in the drafting and passing of legislation.

The City provides a full range of municipal services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; community and economic development programs; recreational and cultural activities; water production and distribution; and refuse collection. The City of Rochester is also financially accountable for a legally separate school district which is reported separately within the City's financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note 1.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

Throughout the 1900s, the presence of high-technology firms led to the City being known as a center for manufacturing in specialized industries such as photographic equipment, graphic innovation, optics, machine tooling, automotive products, and medical instrumentation. During this time, community leaders such as George Eastman sowed the seeds of education with the founding of the University of Rochester, healthcare with Strong Memorial Hospital and UR's School of Medicine, Dentistry, and Nursing, and arts with the Eastman School of Music.

The dominant feature of Rochester's economy during the previous 30 years has been the creative destruction of traditional sources of income and the birth of new firms and industries. Through much of the last century, Rochester was dominated by major manufacturers—particularly Kodak—employing highly skilled production workers, thousands of key scientists and technicians in research and development positions and many headquarters staff. As these companies restructured, the workers who left their employ have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half (57%) of employment was located in small and medium-sized firms of 1,000 employees or less. Most of these firms had direct or indirect linkages to major Rochester firms like Kodak, Xerox or General Motors. By 2008, the share of employment in small and medium-sized firms had risen to about 80% (CGR estimates from County Business Patterns data). Kodak's steady employment growth from the early part of the century through 1982 and the relative stability of Kodak product sales insulated the Rochester economy from the worst of national business cycle fluctuations, including the Great Depression. At its 1982 peak, the Eastman Kodak Company directly employed over 60,000, almost 14% of workers in the Rochester Metropolitan Statistical Area (RMSA). Due to Kodak's relatively high salaries, the company was responsible for 22% of the RMSA payroll. Another fifth of total MSA payroll could be attributed to suppliers of Kodak itself 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. By the mid 1980s, foreign competitors began to challenge Kodak's market position in the U.S. and across the world. Then, 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.

Kodak filed for Chapter 11 Bankruptcy in January 2012. The City of Rochester, New York State and their economic development partners continue to work with Kodak and the tenants of Eastman Business Park to assist in every way possible. Meanwhile, attraction efforts continue to bring new businesses to Eastman Business Park and its existing vacant parcels. Today, about 6,000 people work at Eastman Business Park; nearly half are employed by Kodak, while the remainder are employed by other companies that work within the Park. Kodak recently filed a motion with the bankruptcy court to extend the deadline for submission of a plan of reorganization to February 28, 2013. Kodak also obtained a \$950 million, 18-month credit line from Citigroup so it could keep operating during the bankruptcy process. In September 2012, Kodak announced that it was considering abandoning its efforts to sell off its patent portfolio. This resulted from the failure of Kodak to sell the patents earlier in 2012 for the expected amount of \$2.5 billion. It is estimated that offers totaled \$200-\$300 million. The failure of Kodak to successfully auction off its patent portfolio created concern about Kodak's ability to successfully emerge from Chapter 11 bankruptcy. Then in December 2012, Kodak announced that it had agreed to sell the patents for more than \$500 million to a group that partnered in an additional offer. Combined with revenue from the sale of the Eastman Business Park power plant facility, Kodak has all the pieces in place to successfully emerge from Bankruptcy as planned in 2013.

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.

Economic Development

The City's development services provide expanding and relocating businesses with technical assistance and financing through several business loan and grant programs. Many economic development activities in the City are centralized, providing greater convenience to businesses needing assistance. The City staffs the local development corporation, Rochester Economic Development Corporation, the City's Renewal Community Zone, and the State Empire Zone.

During the fiscal year ending June 30, 2012, the Department of Neighborhood and Business Development assisted 98 businesses which anticipate investing more than \$143 million in the community, currently employ 10,867 and project to create 898.5 new jobs over the next three years. These figures also include results that were obtained through the use of the New York State Empire Zone Program.

The average 2011 unemployment rate for the Rochester area was 7.7% compared to the national average of 8.9% and the State average of 8.2%.

Significant Announcements

Eastman Business Park: The City has partnered with Eastman Kodak to market the parcels found in the Eastman Business Park (EBP) to prospective businesses. Available properties consist of vacant buildings as well as approximately 72 acres of vacant land found along West Ridge Road. The City along with its partners, Monroe County, Empire State Development and Greater Rochester Enterprise, assisted with the recent Cody Gate Ventures development that brought three new businesses to the area (Intrinsiq Materials, Quintel Technologies and Omni-ID). The development is anticipated to bring as many as 250 jobs and \$100 million total investment within our community (partially located within the City of Rochester). The Finger Lakes Regional Economic Development Council also designated this project as the region's number one priority in the REDC application process and received a total of \$2.4 million in 2012 for projects in the park. The City, along with its economic development partners, meets regularly to discuss potential development projects with EBP. In December 2012, Kodak reached an agreement with Illinois based Recycled Energy Development to purchase, upgrade, and operate the park's power plant facility. This will further increase the viability of the park, which continues to be a key asset to our community and the City in our efforts to attract new business development.

Midtown Redevelopment Project: This is a redevelopment partnership that will position Rochester for its future by significantly shaping the rebirth of the downtown core through major public and private investment, job creation and infrastructure development. At the heart of the project is the rehabilitation of the nearly 9-acre former Midtown Plaza into a mixed-use area designed to attract a critical mass of residents and 24/7 amenities that contribute to a vibrant live-work environment. Demolition work is complete and rehabilitation work has begun on the 1,800-vehicle underground garage and truck service tunnel and the development of the new street grid with seven development parcels. In December, 2012, The Midtown Tower portion of the project was awarded \$4 million through the New York State Regional Economic Development Council funding application process. Buckingham Properties has taken over as primary developer for the project and has scaled back the scope to include 160 to 180 apartments and three to five floors of commercial space. The City of Rochester announced in November 2011 the details of a long term lease agreement with Windstream Corporation that will bring hundreds of employees to the site and create approximately 200 construction jobs. The existing structure of the former Seneca Building will be reused, developed and owned by the Pike Development Company. Under the terms of the deal, Windstream will sign a 15-year lease agreement for a downtown office that will have the capacity for up to 335 employees. The shell of the Seneca Building was preserved during the demolition at the Midtown Plaza site to accommodate this type of adaptive reuse. Construction of the project started in March 2012. Occupancy will take place no later than July 31, 2013. The Windstream project will be the first new project developed in the revitalized Midtown site. This project, together with the tunnel, garage and site development, will generate significant construction work in the coming years.

Sibley Building Redevelopment: In the fall of 2012 the City of Rochester reached an agreement with Winn Development LLC of Boston, Massachusetts to purchase and redevelop the former Sibleys Department Store. As part of the agreement, Winn assumes a \$3.1 million loan granted by the City to the previous owner Rochwil Associates LP, who will continue to pay off nearly \$20 million in outstanding taxes and fees. The project will include six floors of apartments in the upper stories with the remainder of the building reserved for office, retail and commercial uses. The Sibley Building redevelopment will be pivotal in the continuing resurgence of downtown, helping link the popular East End district to the Midtown Site.

College Town Project: In December 2012, the College Town Project was awarded \$4 million through the New York State Regional Economic Development Council funding application process. With this final piece of public funding into place, the project awaits only final approvals and will move forward in 2013. The project consists of the construction of a large mixed use development adjacent to the University of Rochester's campus that will include a pedestrian friendly retail district with traffic calming street design, a hotel/conference center, and a prominent Barnes and Noble on the corner of Elmwood and Mt. Hope. Upper stories of retail buildings will house apartment and office space. The project will create nearly 1,000 construction jobs and an estimated 582 permanent jobs with nearly \$60 million in private investment.

Sports

The City is home to numerous professional sports teams: the Rochester Red Wings, AAA farm team of the Minnesota Twins; the Rochester Americans, American Hockey League farm team for the Buffalo Sabres; the Rochester Nighthawks of the National Lacrosse League (indoor); the Rochester Rattlers of the Major Lacrosse League (outdoor); the Rochester Razorsharks of the American Basketball League; the Rochester Raging Rhinos of the United Soccer League; and the Rochester Lancers indoor soccer league, which began playing at the Blue Cross Arena/War Memorial in November 2011.

Frontier Field: Home of the Rochester Red Wings, Frontier Field is a 12,500 seat, multi-use stadium located in downtown Rochester that opened its doors to the public in July 1996. The stadium is expandable to 18,000 seats with 4,000 box seats, 4,000 general admission and 500 premium seats in the form of 36 luxury sky boxes.

Sahlen's Stadium: The Rochester Raging Rhinos, Flash and Rochester Rattlers all play at Sahlen's Stadium. This multi-use outdoor stadium seats 13,768. It opened in June 2006 in downtown Rochester.

Golf: The Greater Rochester area offers over 80 golf courses, among them the nationally ranked Oak Hill Country Club. Arguably one of the most prestigious golf courses in Western New York, Oak Hill has earned the top spot in Golf World Magazine's course rankings, followed by Augusta National. Oak Hill has hosted numerous major tournaments including two US Amateurs, three US Opens, the PGA and Senior PGA and the Ryder Cup. Oak Hill will once again host the PGA Championship in 2013. Additionally, Locust Hill Country Club hosts an annual LPGA tournament, which in recent years has been the Wegmans LPGA Championship.

Exports

International trade by area exporters continues to be a significant component of the economic activity of the Rochester area. Rochester is the second largest exporting area in the state (New York City is the largest).

Educational Resources

The recent transformation in the local economic landscape has been led in large part by the area's higher education institutions. The University of Rochester and its affiliates ranks as the region's largest employer—a position Eastman Kodak previously held for decades—and the 6th largest employer in the state according to a report published by the Center for Governmental Research in 2010.

The region's 17 colleges and universities are an economic force enrolling 84,000 in 2009-10, 64,000 full time. More than size, Rochester's higher education sector offers a diverse portfolio of high quality institutions. The three largest—Rochester Institute of Technology, Monroe Community College and the University of Rochester—are among the best institutions of their type in the nation and are joined by well-regarded public and private colleges such as Roberts Wesleyan College, the State University College at Brockport, Nazareth College, and St. John Fisher College.

University of Rochester: As of the end of 2009, the University was responsible for 23,000 jobs (nearly 20,000 estimated full time equivalent positions). A significant share of the University's growth has occurred at the University of Rochester Medical Center as Strong Health extends clinical service penetration beyond the metropolitan area and URMC expands its research facilities and total employment. Educational and health services employment is now 22% of total nonagricultural employment in the Rochester metropolitan area.

The University of Rochester attracted \$1.8 billion in research funding over the past five years, supporting thousands of highly skilled workers.

Beginning in 1996, the University's Medical Center has executed a series of strategic plans that have dramatically expanded the physical footprint and economic impact of the institution. The current plan—a \$50 million expansion announced in 2007—is proceeding more slowly than anticipated in response to the economic downturn. The plan calls for new technology, additional facilities, more jobs, new research equipment and marketing of the medical center. A key building component of the plan includes a \$56 million, 150,000-square-foot Clinical and Transitional Sciences Building which is expected to create 300 jobs. The expanded research effort is expected to lift the University of Rochester to a place among the nation's top 15 medical schools in federally-funded medical research.

In late 2011, the University of Rochester announced plans for a new mixed-use project called Mt. Hope College Town. The project consists of a \$101.4 million redevelopment of a 16-acre site adjacent to the U of R campus. The development will create 380,000 sq. ft. of new commercial office, retail, and residential space. The project is a joint venture among U of R, Gilbane Development and Fairmont Properties.

Waterfront Development

Port of Rochester: The City is in the process of completing the Draft Environmental Impact Statement and engineering design for a new 6.8 acre, 157 slip, public marina facility near the confluence of Lake Ontario and the Genesee River. Surrounding the marina will be a new public promenade connecting the River Trail to the Charlotte Pier. The marina development enhances the recreational nature of the Port and creates exciting opportunities for 280-430 new residential units and with complimentary new commercial and retail space. Together with the City's Port terminal docking facilities, restaurant and retail development of the Port Terminal Building, visits by Great Lakes cruise ships, and the Port's existing attractions and events, the marina development project will strengthen the Port of Rochester's reputation as a Great Lakes destination.

Brooks Landing: Successful completion of the long-awaited Brooks Landing project across the Genesee River from the University of Rochester brought: a new public waterfront landing/promenade; a new 80-unit Staybridge Hotel on the waterfront; a neighborhood retail cluster including both new construction and rehabilitated structures; a new 28,000 sq. ft. commercial office/retail building; and, the new 120-unit Riverview Apartment complex (U of R student housing). Current proposals for

additional development at Brooks Landing include: a new six-story mixed-use building just north of the hotel to include a restaurant on the first floor and student housing on the above five floors; and, an adjacent new 4,000 sq. ft. commercial building.

Center City

Rochester's Center City is continuing its growth and development as the hub of business, government, cultural, sports, entertainment and educational activities for the entire region.

The development follows the vision of the award winning Center City Master Plan, adopted in 2003 and currently being updated for 2012. The plan presents a new way of thinking about downtown Rochester, extending beyond the traditional Inner Loop expressway barrier, and focusing on development objectives and design guidelines for the "Center City" streets, neighborhoods and districts.

To foster investment and revitalization of the Center City, the City adopted several programs to attract business and residents. The Main Street Assistance Program allows the City to provide financial assistance in the Center City through an array of flexible terms including low interest loans, grants, interest rate subsidies and job growth credits. To spur investment in downtown market-rate residential development, the City adopted property tax exemption programs for both rental and owner-occupied units.

Private and public sector investment in the Center City has been significant over the past six years. Since July 1, 2006, over 430 rental units have come online and 52 owner-occupied units created. Almost \$400 million in Public-Private investment has been undertaken in Center City since 2006. Over \$200 million in investment is currently underway. The Center City has a weekday workforce of 50,000 and approximately 5,000 people now living downtown. It is anticipated that over 200 residential units will be created within the next two years in Center City.

A number of mixed-use residential projects have been completed over the past 12 months in the Center City.

Capron Lofts – This \$4.5 million renovation of a vacant commercial building was completed in June 2012 and created 19 loft condominiums. The first floor of the building includes a new restaurant that opened in spring 2012.

44 Exchange Street – This former 65,000 square foot office building has been vacant for almost a decade and is currently being renovated for a mix of 29 apartments and first floor commercial space. The developer plans to convert the apartments to for-sale condominiums after 5 years. The project investment was over \$6 million and was completed in late summer 2012.

Erie Harbor Apartments – This mix of new construction market and affordable rental units along the east side of the Genesee River is substantially completed. The total investment for the project was over \$31 million.

Mills At High Falls II – With an investment of \$7.6 million, the Urban League of Rochester renovated 4 historic properties in the High Falls District for 21 mixed-income rental residential units.

72-78 Cascade Drive – Building on the success of their Knowlton and Cascade mixed-use projects, the Loftus brothers converted the upper floor of 72-78 Cascade Drive for 6 residential loft units at a cost of approximately \$400,000.

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

Academy Building – The \$6 million renovation of this historic vacant building in the heart of the government district commenced in July 2012 for 21 loft apartments and first floor commercial restaurant uses.

Windsor Gate Townhomes – Construction is underway for 5 new townhomes in the historic Grove Place Neighborhood. The cost for this project is approximately \$1.6 million and will be completed in summer 2013.

North Plymouth Terrace – This new construction townhouse project will create 27 new market rate owner-occupied units on a former surface parking lot. The cost for this project is \$5.5 million. Six units have been completed to date and construction has begun on the next phase of the project.

North Plymouth Terrace US Post Office – Construction has started on a new commercial building that will include a first-floor post office and upper-floor office space.

Bridge Square – The renovation of this former historic downtown high school building for a mix of residential, commercial and restaurant space is underway. The \$6.7 million project will create 20 new loft residential apartments, the new headquarters for Passero Associates, and a new restaurant.

Windstream Building – Renovation of the Seneca Building at the former Midtown Plaza property is underway. The Pike Company (building owner) is renovating the 100,000 square foot building for a cost of \$19 million. The Windstream Corporation will occupy the first two floors and bring 335 employees to its new downtown location.

Midtown Plaza Redevelopment – The asbestos and demolition phases of the former 1.5 million square foot Midtown Plaza has been completed by the State of New York for an approximate cost of \$43 million. The City has commenced the infrastructure phase of the project, which consists of reconstruction of the underground service tunnel entrance, garage rehabilitation, utilities, new streets and open space improvements. The cost for the public infrastructure phase is over \$40 million and will be completed in spring 2014.

Midtown Tower – This 17 story building was one of two building shells retained on the former Midtown Plaza site. The City is currently working with the development team of Morgan Management and Buckingham Properties to renovate the building for three to five stories of commercial, retail and restaurant uses, and 160 to 180 apartments. The project cost is approximately \$55 million. On December 20, 2012 the project was awarded \$4 million through the New York State Regional Economic Development Council application process.

88 Elm Street – This vacant 12 story, 88,000 square foot City-owned building is in the Midtown Urban Renewal District. The City completed over \$1 million in asbestos abatement and new roof construction on the building. The City issued a request for proposals for the building in summer 2012. There has been significant interest in the building from the development community.

RGRTA Transit Center – The Regional Transit Authority will be moving forward with construction of a \$50 million downtown transit center this summer. Customer transfers utilizing the bus service currently occurs on East Main St between St. Paul Street and Clinton Avenue. This service will be transferred to an enclosed facility that will offer convenience and protection from the weather for the bus customers. This will also have significant positive impacts for downtown Rochester by allowing more on-street parking for downtown visitors patronizing Main Street businesses. The project broke ground in November 2012 and will be completed in 2015.

Sibley Building – This former department store building includes over 1 million square feet and is primarily vacant. The current tenants include the Monroe Community College (the college recently renewed a 5 year lease at the premises) and some retail and commercial businesses. In October 2012, the City announced approval of a plan to transfer ownership of the Sibley Building to Winn Development, a Boston-based real estate developer.

Hilton Garden Inn – DHD Ventures purchased several historic properties at the corner of Stone and E. Main Streets and are moving forward with plans to renovate the buildings for a new Hilton Garden Inn. The investment for the project is approximately \$16 million.

Charlotte Street Housing – Graywood LLC has proposed construction of a mix of student, rental and owner occupied housing units on vacant land owned by the City of Rochester in the heart of the popular East End District.

Cox Building - This historic building, located in the St. Paul Quarter, will be converted to 70 loft apartments with lower floor commercial and retail space. The project will cost approximately \$13 million and construction began in 2012.

Intermodal Train Station – The City was awarded \$15 million in Federal funding for the construction of a new \$26 million train station serving the Rochester region. New York State Department of Transportation has taken over the project and is moving forward with designs developed by the City.

Inner Loop East – The City has proposed the removal of a portion of the Inner Loop on the eastern edge of downtown. The Inner Loop is a grade separated expressway surrounding downtown that was constructed over 50 years ago. Portions of the Inner Loop are considered a barrier to downtown from surrounding neighborhoods. The proposed \$22 million project would bring a portion of the expressway to grade, reduce the width of the road and create new vehicular and pedestrian connections from the popular Alexander Street and Park Avenue neighborhoods into downtown. The project would also create significant ready-to-build development acreage in one of the region's most popular districts.

Investment in Residential Areas

In addition to investments in business development, the City is devoting the major share of its Community Development Block Grant (CDBG) program to the improvement of residential neighborhoods. According to the table following, the City has allocated \$324.4 million, or 68% of total federal allocations and program income, to the City's residential areas since the inception of the CDBG Program in 1975.

Community Development Block Grant/Consolidated Program

(in Millions)

	Allocation <u>Through 06/30/13</u>
Residential neighborhoods	\$324.4
Business development	83.3
Urban renewal completion	15.8
Planning, management and administration	<u>57.5</u>
TOTAL:	<u>\$481.0</u>

An example of the impact of these investments is represented by the Housing Occupancy Initiative, funded by the CDBG and HOME Program, which was developed in response to concern over the growing number of vacant residential properties in the City and the declining number of owner-occupant homeowners. Since its inception in 1993, this initiative has addressed more than 6,200 vacant houses through either demolition (2,737), or rehabilitation/reoccupation programs (2,975), and created more than 488 new single-family homes for owner-occupants.

LONG-TERM FINANCIAL PLANNING

Over the past 10 years, and before, the City has been able to maintain a stable unreserved, undesignated fund balance in the general fund at approximately one percent of total general fund revenues. That balance in fiscal 2011-12 was \$4,860,000 and is classified as unassigned general fund balance, as required under GASB 54,

As a planning tool for long-term financing, and the annual budget process, the City prepares a five-year capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain stable level of debt service. Also, the City Charter allocates the 9% New York State constitution debt limit between the City and the District — 5½% for municipal purposes and 3½% 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, 2011. This was the twenty-eighth 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 2012 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. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Finally, I would like to thank the Mayor and the members of the City Council for continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Brian L. Roulin". The signature is written in a cursive style with a prominent flourish at the end.

Brian L. Roulin, CPA
Director of Finance

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director

CITY OF ROCHESTER, NEW YORK
MAYOR AND CITY COUNCIL OFFICIALS

Thomas S. Richards, Mayor

Lovely A. Warren (Northeast District), President

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



Adam C. McFadden (South District)

Carolee A. Conklin (At-Large)

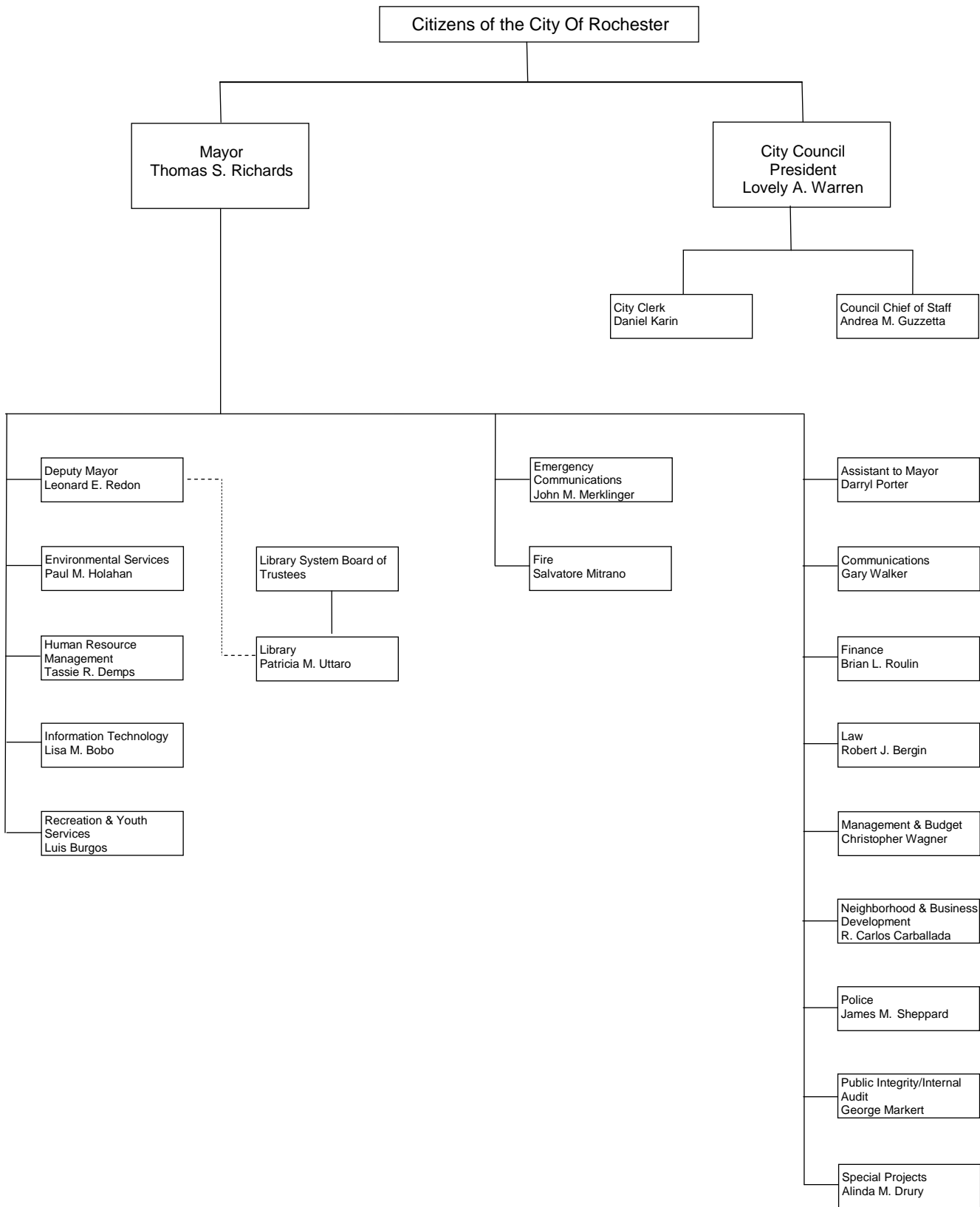
Elaine M. Spaul (East District)

Carla M. Palumbo (Northwest District)

Matt Haag (At-Large)

Loretta C. Scott (At-Large)

Jacklyn Ortiz (At-Large)



CITY OF ROCHESTER, NEW YORK
ORGANIZATIONAL UNITS AND OFFICIALS
Effective December 2012

Mayor	Thomas S. Richards
Deputy Mayor	Leonard E. Redon
Assistant to Mayor	Darryl Porter
City Clerk	Daniel Karin
City Council Chief of Staff.....	Andrea M. Guzetta
Management & Budget.....	Christopher Wagner
Communications	Gary Walker
Human Resource Management.....	Tassie R. Demps
Public Integrity/Internal Audit.....	George Markert
Special Projects.....	Alinda M. Drury
Emergency Communications	John M. Merklinger
Environmental Services	Paul M. Holahan
Finance	Brian L. Roulin
Fire	Salvatore Mitrano
Information Technology	Lisa M. Bobo
Law	Robert J. Bergin
Library	Patricia M. Uttaro
Neighborhood & Business Development	R. Carlos Carballada
Police	James M. Sheppard
Recreation & Youth Services	Luis Burgos

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2012, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule and the schedule of funding progress for retiree health plan on pages 18 through 28, 65 through 66 and 67 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental schedules, as listed in the table of contents, the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, and the schedule of state transportation assistance expended, as required by Draft Part 43 of NYCRR, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, the schedule of expenditure of federal awards and the schedule of state transportation assistance expended are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section 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 them.

Freed Maxick CPAs, P.C.

Rochester, New York
January 9, 2013

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, 2012. 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, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$777,868 (net assets).
- The City's total net assets decreased by \$19,180 after consideration for prior period adjustment of \$3,293.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$168,272, a decrease of \$13,151 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,860, or 1.1% of total general fund expenditures.

The City's total outstanding debt increased by \$4,478 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Rochester's basic financial statements. The City of Rochester's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, such as budgetary comparison.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Rochester's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Rochester's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Rochester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rochester include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Rochester include a water utility, parking garage and lot operations, an arena at the War Memorial, residential and commercial refuse collection services, two cemeteries, and the public market.

The government-wide financial statements include not only the City of Rochester itself (known as the *primary government*), but also a legally separate school district. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rochester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rochester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Rochester maintains fifteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, general capital projects fund, transportation capital projects fund, and the community development special revenue fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The financial statements for governmental funds can be found in the Basic Financial Statements, which is the following section.

Compliance with the City's annual operating budget for the year ended June 30, 2012, which includes the General Fund as well as certain special revenue and enterprise funds, is reported in the *Combined Schedule of Revenues, Expenditures and Changes in Fund Equity – Budget and Actual* 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$777,868 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets 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 Assets

(000's Omitted)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 344,106	\$ 359,707	\$ 66,961	\$ 56,299	\$ 411,067	\$ 416,006
Capital assets	685,347	662,964	273,334	275,840	958,681	938,804
Total assets	1,029,453	1,022,671	340,295	332,139	1,369,748	1,354,810
Long-term liabilities outstanding	301,385	289,367	72,226	76,729	373,611	366,096
Other liabilities	165,348	154,222	52,921	37,444	218,269	191,666
Total liabilities	466,733	443,589	125,147	114,173	591,880	557,762
Net assets:						
Invested in capital assets, net of related debt	581,298	591,596	183,329	191,986	764,627	783,582
Restricted	83,543	95,632	21,454	32,536	104,997	128,168
Unrestricted	(102,121)	(108,146)	10,365	(6,556)	(91,756)	(114,702)
Total net assets	\$ 562,720	\$ 579,082	\$ 215,148	\$ 217,966	\$ 777,868	\$ 797,048

The City's total net assets decreased by \$19,180, as a result of a decrease of \$16,362 in the net assets of governmental activities as well as a decrease of \$2,818 in the net assets of business-type activities. A portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in the categories of Invested in capital assets, net of related debt, and Restricted. This was true for both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. As noted above, Governmental activities net assets decreased by \$16,362. Key components of this change are summarized as follows:

City of Rochester's Changes in Net Assets

(000's Omitted)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 63,527	\$ 72,499	\$ 75,188	\$ 72,933	\$ 138,715	\$ 145,432
Operating grants and contributions	31,754	37,318	-	-	31,754	37,318
Capital grants and contributions	23,008	45,201	-	1,754	23,008	46,955
General revenues:						
Property taxes	146,698	146,544	2,330	2,142	149,028	148,686
Sales and other taxes	159,350	154,432	679	1,131	160,029	155,563
Governmental aid	104,323	106,069	160	11	104,483	106,080
Other	3,561	2,300	2,017	1,750	5,578	4,050
Total revenues	532,221	564,363	80,374	79,721	612,595	644,084
Expenses:						
General government	102,200	95,832	-	-	102,200	95,832
Police	128,413	133,107	-	-	128,413	133,107
Fire	69,022	71,028	-	-	69,022	71,028
Emergency communications	19,281	17,765	-	-	19,281	17,765
Transportation	8,098	14,946	-	-	8,098	14,946
Environmental services	36,819	43,954	-	-	36,819	43,954
Recreation and youth services	18,225	17,743	-	-	18,225	17,743
Library	13,143	12,161	-	-	13,143	12,161
Neighborhood business development	34,908	41,930	-	-	34,908	41,930
Interest on long term debt	3,071	3,445	-	-	3,071	3,445
Allocation to school district	119,100	119,100	-	-	119,100	119,100
Water	-	-	31,960	31,089	31,960	31,089
War memorial	-	-	2,590	2,757	2,590	2,757
Parking	-	-	11,463	7,195	11,463	7,195
Cemetery	-	-	2,118	1,770	2,118	1,770
Public market	-	-	1,557	1,054	1,557	1,054
Refuse	-	-	26,637	26,603	26,637	26,603
Total expenses	552,280	571,011	76,325	70,468	628,605	641,479
Excess (deficiencies) of revenues over expenses	(20,059)	(6,648)	4,049	9,253	(16,010)	2,605
Transfers	3,697	5,533	(3,574)	(5,533)	123	-
Increase (decrease) in net assets	(16,362)	(1,115)	475	3,720	(15,887)	2,605
Net assets - beginning (as restated)	579,082	580,197	214,673	214,246	793,755	794,443
Net assets - ending	\$ 562,720	\$ 579,082	\$ 215,148	\$ 217,966	\$ 777,868	\$ 797,048

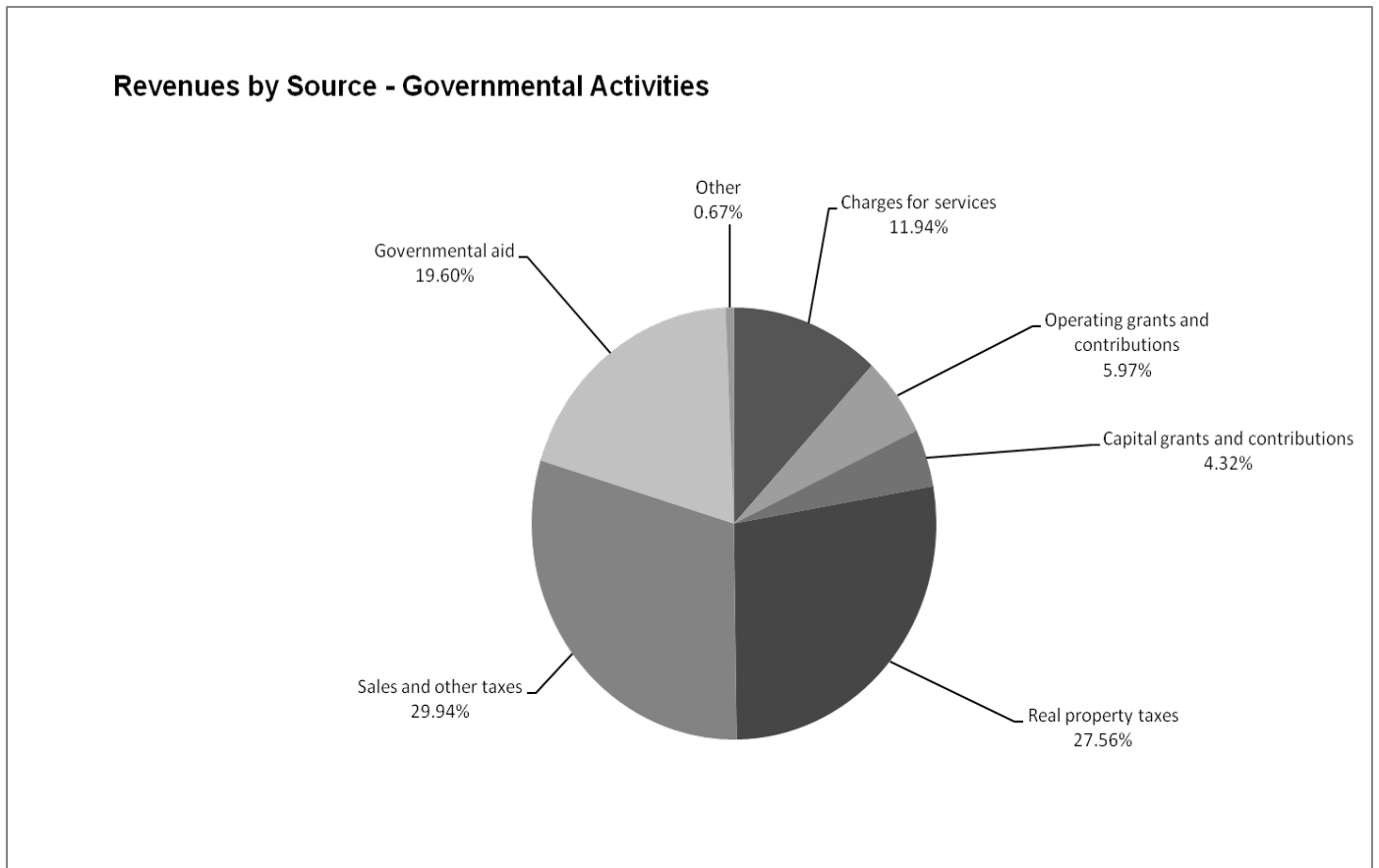
Governmental activities revenue highlights.

The major factors contributing to the overall revenue decrease of \$32,142 were:

- Capital grants and contributions decreased by \$22,193, principally because of \$10,000 decrease in contributions for capital improvements, \$8,000 decrease in NYS funded garage improvements, and \$4,000 decrease in ARRA projects;
- Charges for services decreased \$8,972, primarily due to a \$4,701 decrease in motor vehicle chargebacks and a \$1,427 decrease in charges for emergency communications;
- Operating grants and contributions decreased \$5,564 due primarily the a decreases in reimbursable spending under various state and federal grants; and
- Governmental aid decreased \$1,746 primarily due to a \$1,801 reduction in NYS aid partially offset by other miscellaneous increases.

The above decreases of \$38,475 were partially offset by the following increases which total \$6,333:

- Sales, and other taxes increased \$4,918;
- Various other revenue sources increased \$1,261; and
- Property tax revenue increased \$154.



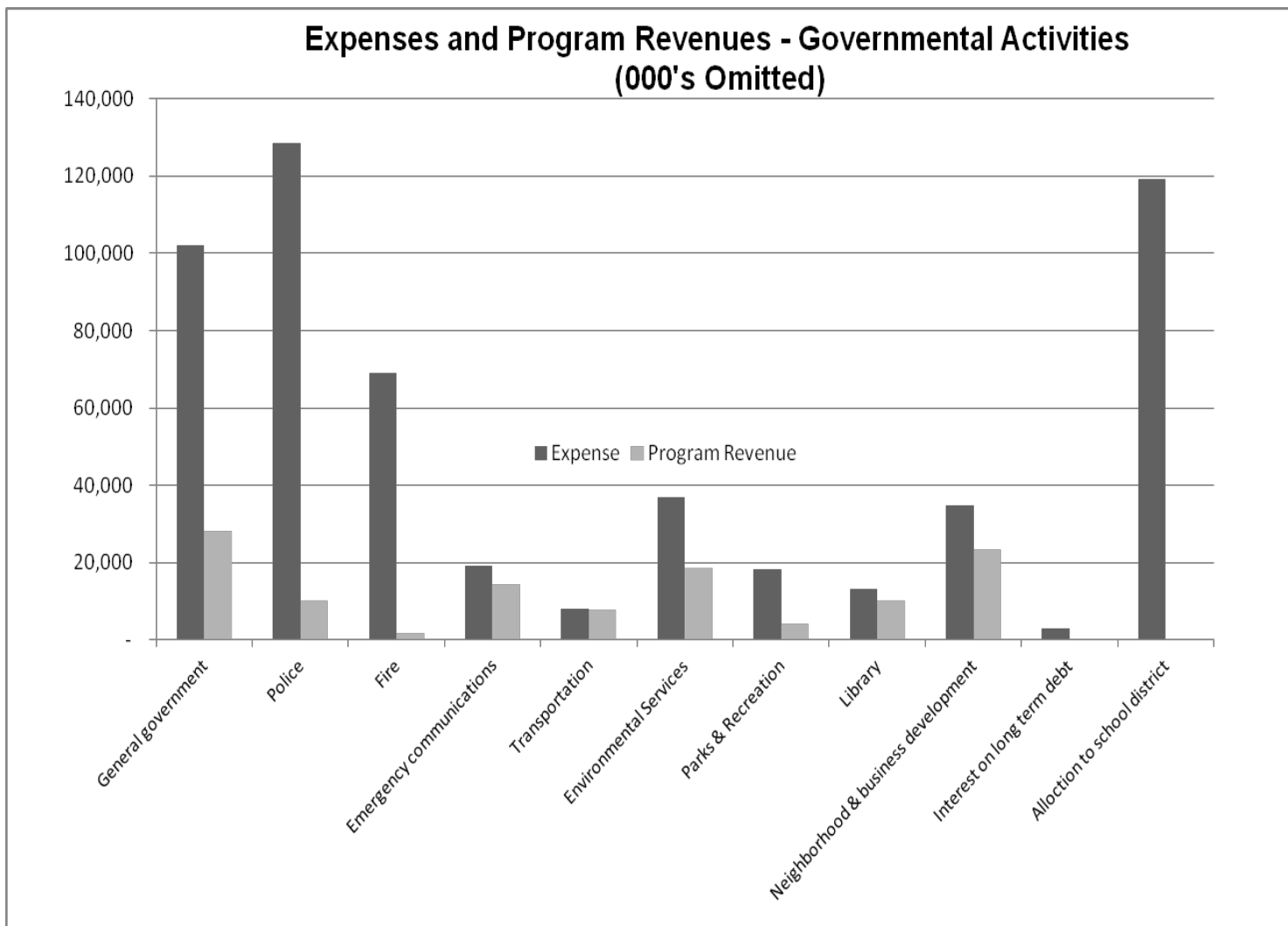
Governmental activities expense highlights.

The major factors contributing to an overall decrease in general government expenses of \$18,731 were as follows:

- Environmental services expenses decreased \$7,135 substantially due to departmental chargebacks;
- Neighborhood and business development expenses decreased \$7,022;
- Transportation expenses decreased \$6,848, primarily to lower capital expenses net of capitalization;
- Police expenses decreased \$4,694 primarily due to lower salary and employee fringe benefit costs;
- Fire expenses decreased \$2,006 primarily due to lower employee fringe benefit costs; and
- Interest on long term debt decreased \$374.

The above decreases which total \$28,079 were partially offset by increases of \$9,348 as follows:

- General government expenses increased \$6,368 primarily due to increased New York State retirement costs;
- Emergency communications expenses increased \$1,516.
- Library expenses increased \$982; and
- Recreation and youth services expenses increased by \$482.



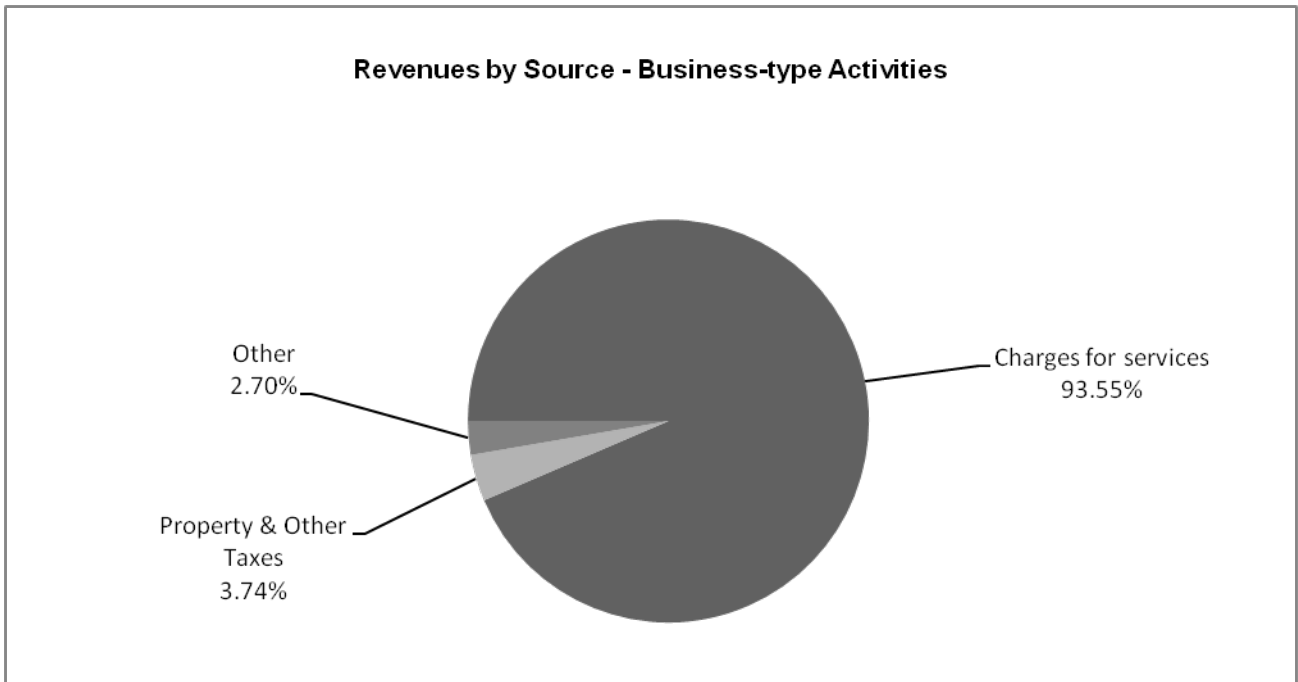
Business-type activities revenue highlights.

Revenues for business-type activities showed an overall increase of \$653.

- Service charge by business-type funds increased by \$2,255 primarily due to \$1,450 from higher water rates, \$765 increase in parking funding revenue, and \$277 from higher refuse rates;
- Other revenues increased \$267;
- Property tax support to business-type funds increased by \$188 in fiscal 2012; and
- Governmental aid increased by \$149.

These increases amounting to \$2,859 were partially offset by revenue decreases of \$2,206 in the following categories:

- Capital grants and contributions decreased by \$1,754; and
- The share of the receipts of sales and other taxes decreased by \$452.



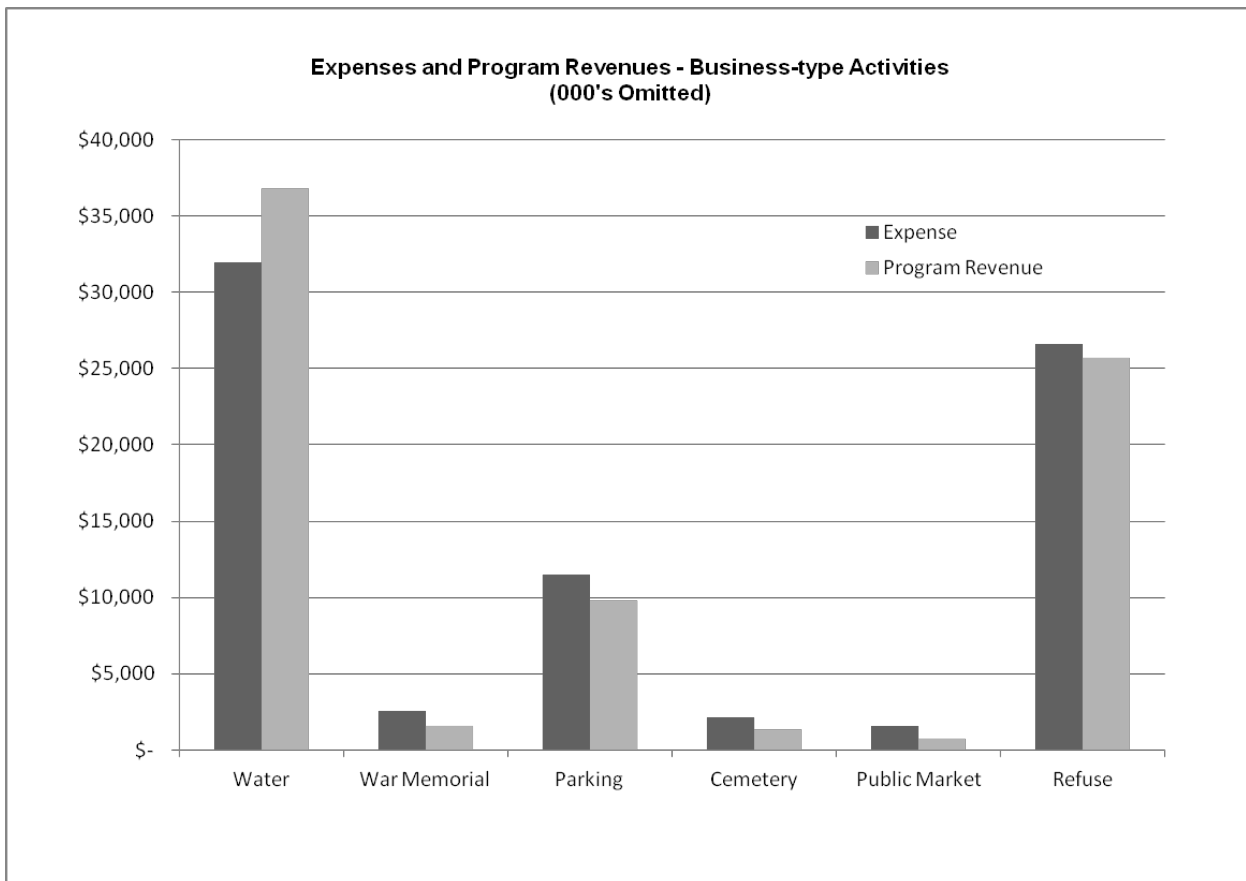
Business-type activities expense highlights.

The net increase in business-type activities expenses was \$5,857:

- Parking fund expenses increased by \$4,268;
- Water fund expenses increased by \$871;
- Public market fund expenses increased by \$503;
- Cemetery fund expenses increased by \$348; and
- Refuse fund expenses increased by \$34.

The above increases, which total \$6,024, were partially offset by reductions of \$167 as follows:

- War memorial fund expenses decreased by \$167.



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 \$168,272, a decrease of \$13,151 in comparison with the prior year. The nonspendable portion of fund balance amounts to \$6,641, which is not available for new spending. The restricted portion of fund balance includes resources subject to externally enforceable legal restrictions and amounts to \$17,502. The committed portion of fund balance is reported in the amount of \$109,310 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 \$39,286 for all governmental funds. This balance consists of amounts constrained by the City's intended use of resources that are neither restricted nor committed. Residual amounts of the general fund amount to (\$4,468) 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 \$15,686, unassigned fund balance was \$4,860, and total fund balance reached was \$65,810. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance, along with total fund balance to total fund expenditures. Assigned and unassigned fund balance total to a combined amount of \$20,546, which represents 5 percent of total fund expenditures. Total fund balance represents 15 percent of that same amount. The fund balance of the City's general fund decreased by \$1,813 during the current fiscal year.

Debt service fund. The debt service fund has a total fund balance of \$17,753, of which \$4,037 is restricted and \$13,716 is assigned for the payment of debt service. The fund balance decreased by \$1,947 during the current fiscal year. Transfers of (\$3,902) were made to operating funds to meet current debt service requirements. The debt service fund had \$607 interest earnings and \$109 in other revenue.

General capital projects. The general capital projects fund accounts for the construction and reconstruction of general public improvements, excluding transportation capital projects as well as projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$63,766, of this \$63,185 was committed, and \$581 was assigned.

Transportation capital projects. The transportation capital projects fund is used to account for road and bridge construction and reconstruction. At the end of the current fiscal year, this fund had greater liabilities than assets, resulting in a negative fund balance of \$8,959 attributed to unassigned

Community development special revenue fund. The Community Development Block Grant fund is a special revenue fund used to account for the programs and projects primarily funded by the U. S. Department of Housing and Urban Development. At the end of the current fiscal year, the fund balance was \$4,712.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. In this fiscal year the net assets for 2012 show a decreasing adjustment of \$3,293 attributable to the parking fund. The net assets of the proprietary funds at the end of the current fiscal year totaled \$215,148. The change in net assets between 2011 and 2012, which totaled a \$475 increase, were as follows: the Water fund increased by \$525, the Parking fund decreased by \$1,434, the War Memorial fund increased by \$177, the Refuse fund decreased by \$854, the Cemetery fund increased by \$1,965, and the Public Market fund increased by \$96.

Unrestricted net assets of the proprietary funds, which totaled \$11,565 at year end, breakdown as follows: Water — \$13,229, Parking — \$474, War Memorial — \$142, Refuse — (\$1,624), Cemetery — (\$847), and Public Market — \$191.

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 assets at the end of the fiscal year were \$19,582, a decrease of \$8,849 over the prior year. The decrease is the result of claims settlement expenses of \$11,122, of \$2,255 in transfers from the General Fund, and \$18 in revenue from investments.

Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital Assets. In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounted to \$958,681 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress. The overall increase in the City's investment in capital assets net of depreciation for the current fiscal year was 2.48%, of which 2.39% was attributable to governmental activities and 0.08% to business-type activities.

Major capital asset expenditures during the current fiscal year included the following:

- Transportation improvements — \$28,915,519
- Water main improvements — \$12,896,071
- Water reservoir improvements — \$7,624,611
- Port of Rochester improvements — \$2,024,690
- Parking Garage improvements — \$1,601,969
- Cemetery improvements — \$659,006

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 25,316	\$ 24,885	\$ 10,439	\$ 10,439	\$ 35,755	\$ 35,324
Buildings	140,852	140,952	108,831	111,399	249,683	252,351
Improvements other than buildings	36,484	31,736	141,406	125,295	177,890	157,031
Machinery and equipment	43,435	41,607	11,892	14,589	55,327	56,196
Infrastructure	437,469	419,673	-	-	437,469	419,673
Construction in progress	1,791	4,111	766	10,825	2,557	14,936
Total	\$ 685,347	\$ 662,964	\$ 273,334	\$ 272,547	\$ 958,681	\$ 935,511

Long-term debt. On June 30, 2012 the City's outstanding debt was \$194,053. This was an increase of \$4,478 (2.4%) over the prior year. A decrease of \$1,673 in the governmental activities funds was fully offset by an increase of \$6,151 in the business-type activities funds.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 53,595	\$ 67,864	\$ 56,065	\$ 63,367	\$ 109,660	\$ 131,231
Bond anticipation notes	50,453	37,857	33,940	20,487	84,393	58,344
Total	\$ 104,048	\$ 105,721	\$ 90,005	\$ 83,854	\$ 194,053	\$ 189,575

The City maintains a conservative debt borrowing policy with an accelerated debt repayment schedule, and funds a significant level of capital expenditures from current funds. Major capital projects have not been deferred. The City has a rating of A from both Standard & Poor's and Fitch, and an Aa3 rating from Moody's Investors Service.

The New York State Constitution restricts the annual real property tax levy for operating expenses to 2 percent of the average full value of taxable City property over the last five years. This limitation does not apply to taxes for debt service. The Constitution also imposes a debt limit of 9 percent of the most recent five-year average of full valuation of taxable real estate. This limit, which applies to the combined City and School District debt, was \$531 million as of the fiscal year end, an amount that was \$163 million above the combined City and School District's net indebtedness.

More detailed information on the City's capital assets and long-term debt activity is provided in the Notes to the Financial Statements under I.G.5. and III.D.

Economic Factors

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 employ have fueled the growth of numerous small and medium sized firms in a range of industries. In 1980, just over half (57%) of employment was located in small and medium-sized firms of 1,000 employees or less. Most of these firms had direct or indirect linkages to major Rochester firms like Kodak, Xerox or General Motors. By 2008, the share of employment in small and medium-sized firms has risen to about 80%.

Manifesting the shift to a services based workforce, the University of Rochester has grown to be the largest local employer with 19,987 full time positions, while Kodak has shrunk to 7,100 full time employees, from a peak of 60,000 in 1982. Nonetheless, despite declines in manufacturing employment and a general downturn in the US economy, the Rochester region now finds itself doing better than many other metropolitan areas across the nation. The Brookings Institution, its latest quarterly analysis of how the nation's 100 largest metro areas are recovering from the recession, categorized Rochester as one of the 20 strongest performers.

In June of 2011 New York State passed a property tax cap. The law requires the local governments and school districts to raise taxes no more than 2 percent or the rate of inflation, whichever is less. Communities may raise or lower property taxes according to the needs of the community. In such cases, the locality can override the cap with a 60 percent vote for schools and by a 60 percent vote of the governing body for local governments. The City is currently evaluating the impact of this law as it develops the 2012-13 budgets.

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 ASSETS
JUNE 30, 2012 (000's Omitted)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School District
ASSETS				
Cash and cash equivalents	\$ 200,461	\$ 33,695	\$ 234,156	\$ 245,252
Receivables (net of allowance for uncollectibles)				
Accounts	38,905	17,049	55,954	1,429
Taxes	18,029	-	18,029	-
Due from other governments	86,130	263	86,393	42,751
Due from component unit	1,060	-	1,060	-
Prepaid expense	-	-	-	6,771
Interfund balances	(479)	479	-	-
Inventory, at cost	-	-	-	4
Restricted assets:				
Cash and cash equivalents	-	15,469	15,469	-
Accounts receivable	-	6	6	-
Capital assets (net of accumulated depreciation)				
Land	25,316	10,439	35,755	17,439
Buildings	140,852	108,831	249,683	352,830
Machinery and equipment	43,435	11,892	55,327	14,152
Improvements other than buildings	36,484	141,406	177,890	-
Infrastructure	437,469	-	437,469	-
Construction in progress	1,791	766	2,557	16,104
Total assets	<u>\$ 1,029,453</u>	<u>\$ 340,295</u>	<u>\$ 1,369,748</u>	<u>\$ 696,732</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 51,003	\$ 7,959	\$ 58,962	\$ 35,468
Accrued interest payable	1,280	1,069	2,349	-
Due to other governments	16,859	557	17,416	36,698
Due to component unit	454	-	454	-
Bond anticipation notes payable	50,453	33,940	84,393	
Unearned revenue	23,864	173	24,037	1,957
Noncurrent liabilities:				
Due within one year	21,435	9,223	30,658	66,052
Due within more than one year	301,385	72,226	373,611	473,309
Total liabilities	<u>\$ 466,733</u>	<u>\$ 125,147</u>	<u>\$ 591,880</u>	<u>\$ 613,484</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 581,298	\$ 183,329	\$ 764,627	\$ 226,081
Restricted for:				
Capital projects	60,701	14,453	75,154	-
Debt Service	18,130	7,001	25,131	-
Community development	4,712	-	4,712	-
Unrestricted (deficit)	(102,121)	10,365	(91,756)	(142,833)
Total net assets	<u>\$ 562,720</u>	<u>\$ 215,148</u>	<u>\$ 777,868</u>	<u>\$ 83,248</u>

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012 (000's Omitted)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		School District	
					Governmental Activities	Business-type Activities		Total
Primary government:								
General government	\$ 102,200	\$ 10,500	\$ 4	\$ 17,602	\$ (74,094)	\$ -	\$ (74,094)	\$ -
Police department	128,413	9,084	1,041	-	(118,288)	-	(118,288)	-
Fire department	69,022	1,268	568	-	(67,186)	-	(67,186)	-
Emergency communications	19,281	14,473	-	-	(4,808)	-	(4,808)	-
Transportation	8,098	970	1,234	5,388	(506)	-	(506)	-
Environmental services	36,819	18,511	56	-	(18,252)	-	(18,252)	-
Recreation & youth services	18,225	1,589	2,414	-	(14,222)	-	(14,222)	-
Library	13,143	2,603	7,583	-	(2,957)	-	(2,957)	-
Neighborhood business development	34,908	4,529	18,854	18	(11,507)	-	(11,507)	-
Interest on long-term debt	3,071	-	-	-	(3,071)	-	(3,071)	-
Education	119,100	-	-	-	(119,100)	-	(119,100)	-
Total governmental activities	552,280	63,527	31,754	23,008	(433,991)	-	(433,991)	-
Business-type Activities:								
Water	31,960	35,988	-	-	-	4,028	4,028	-
War memorial	2,590	1,571	-	-	-	(1,019)	(1,019)	-
Parking	11,463	9,805	-	-	-	(1,658)	(1,658)	-
Cemetery	2,118	1,370	-	-	-	(748)	(748)	-
Public Market	1,557	730	-	-	-	(827)	(827)	-
Refuse	26,637	25,724	-	-	-	(913)	(913)	-
Total business-type activities	76,325	75,188	-	-	-	(1,137)	(1,137)	-
Total primary government	\$ 628,605	\$ 138,715	\$ 31,754	\$ 23,008	\$ (433,991)	\$ (1,137)	\$ (435,128)	\$ -
Component unit:								
Public school system	\$ 697,003	\$ 2,494	\$ 103,192	\$ -	\$ -	\$ -	\$ -	\$ (591,317)
General revenues:								
Property taxes					\$ 146,698	\$ 2,330	\$ 149,028	\$ -
Sales taxes					135,941	-	135,941	-
Payment in-lieu of tax					10,755	-	10,755	-
Other taxes					12,654	679	13,333	-
Governmental aid - (unrestricted)					104,323	160	104,483	456,329
Investment earnings					1,499	401	1,900	635
Allocation to school district - (unrestricted)					-	-	-	119,100
Miscellaneous					2,062	1,616	3,678	6,766
Transfers					3,697	(3,574)	123	-
Total general revenues and transfers					417,629	1,612	419,241	582,830
Change in net assets					(16,362)	475	(15,887)	(8,487)
Net assets - beginning					579,082	217,966	797,048	91,735
Prior Period Adjustment					-	(3,293)	(3,293)	-
Total net assets- beginning of year as restated					579,082	214,673	793,755	91,735
Net assets - ending					\$ 562,720	\$ 215,148	\$ 777,868	\$ 83,248

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

**THE CITY OF ROCHESTER, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012 (000's Omitted)**

	General	Debt Service	Capital Projects		Special Revenue Community Development	Nonmajor Governmental Funds	Total Governmental Funds
			General	Transportation			
Assets							
Cash and cash equivalents	\$ 99,170	\$ 18,130	\$ 7,029	\$ 7,077	\$ 7,576	\$ 39,995	\$ 178,977
Receivables (net of allowance for uncollectibles)							
Accounts	8,301	-	8	-	29,616	7	37,932
Taxes	8,816	-	-	-	-	167	8,983
Due from other governments	55,032	-	14,662	61	779	4,846	75,380
Due from other funds	23,313	-	90,024	11,010	-	2,742	127,089
Due from component unit	1,060	-	-	-	-	-	1,060
Total assets	\$ 195,692	\$ 18,130	\$ 111,723	\$ 18,148	\$ 37,971	\$ 47,757	\$ 429,421
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable accrued liabilities	\$ 14,968	\$ -	\$ 9,866	\$ 4,306	\$ 2,608	\$ 2,054	\$ 33,802
Notes payable	-	-	27,667	17,316	-	5,470	50,453
Due to other funds	96,844	-	10,424	5,485	1,630	14,600	128,983
Due to other governments	10,752	-	-	-	5,664	443	16,859
Due to component unit	77	377	-	-	-	-	454
Deferred revenue	7,241	-	-	-	23,357	-	30,598
Total liabilities	129,882	377	47,957	27,107	33,259	22,567	261,149
Fund balances:							
Nonspendable	6,641	-	-	-	-	-	6,641
Restricted	-	4,037	-	-	3,655	9,810	17,502
Committed	38,623	-	63,185	-	1,057	6,445	109,310
Assigned	15,686	13,716	581	-	-	9,304	39,287
Unassigned	4,860	-	-	(8,959)	-	(369)	(4,468)
Total fund balances	65,810	17,753	63,766	(8,959)	4,712	25,190	168,272
Total liabilities and fund balances	\$ 195,692	\$ 18,130	\$ 111,723	\$ 18,148	\$ 37,971	\$ 47,757	\$ 429,421

Fund balances of governmental funds \$ 168,272

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	685,347
Accrual of property and sales taxes to qualify as financial resources	26,529
Internal service fund transferred to governmental activities	19,582
Accrual of interest on bonds and notes payable	(1,280)
Accrual of Medicare Part D revenue	972
Long-term liabilities are not reported in the funds	
Bonds payable	(53,595)
Compensated absences	(13,883)
Workers compensation	(9,302)
OPEB liability	(247,063)
NYS Canal Corp. lease	(636)
Pollution remediation liability	(12,223)
Net assets of governmental activities	\$ 562,720

The notes to the 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, 2012 (000's Omitted)**

	General	Debt Service	Capital Projects		Special Revenue Community Development	Nonmajor Governmental Funds	Total Governmental Funds
			General	Transportation			
REVENUES							
Real property tax	\$ 141,844	\$ -	\$ -	\$ -	\$ -	\$ 6,211	\$ 148,055
Sales tax	135,407	-	-	-	-	-	135,407
Other taxes	23,409	-	-	-	-	-	23,409
Departmental	19,916	-	-	-	-	20,051	39,967
Use of money and property	602	607	-	-	3	52	1,264
Licensees and permits	3,157	-	-	-	-	-	3,157
Federal Aid	4,665	-	7,775	1,552	15,686	3,764	33,442
State aid	103,685	-	7,762	3,359	-	2,598	117,404
Local sources and other	17,819	109	330	1,936	2,085	8,848	31,127
Total revenues	<u>450,504</u>	<u>716</u>	<u>15,867</u>	<u>6,847</u>	<u>17,774</u>	<u>41,524</u>	<u>533,232</u>
EXPENDITURES							
Current:							
General government	117,390	-	-	-	-	7,608	124,998
Neighborhood business development	8,858	-	-	-	18,987	1,988	29,833
Environmental services	14,569	-	-	-	-	8,644	23,213
Library	-	-	-	-	-	10,602	10,602
Police	81,320	-	-	-	-	1,959	83,279
Fire	42,652	-	-	-	-	3	42,655
Emergency communications	12,164	-	-	-	-	-	12,164
Recreation & youth services	9,680	-	-	-	-	1,901	11,581
Transportation	5,381	-	-	-	-	57	5,438
Allocation to school district	119,100	-	-	-	-	-	119,100
Debt service:							
Principal retirement	13,901	-	-	-	-	368	14,269
Interest	3,056	-	-	-	-	82	3,138
Administrative charges	27	-	-	-	-	-	27
Capital projects							
General government	-	-	44,599	-	-	-	44,599
Transportation	-	-	-	19,474	-	-	19,474
Recreation & youth services	-	-	-	-	-	753	753
Environmental services	-	-	1,471	-	-	-	1,471
Library	-	-	-	-	-	755	755
Neighborhood business development	-	-	-	-	-	352	352
Total expenditures	<u>428,098</u>	<u>-</u>	<u>46,070</u>	<u>19,474</u>	<u>18,987</u>	<u>35,072</u>	<u>547,701</u>
Excess (deficiency) of revenues over expenditures	22,406	716	(30,203)	(12,627)	(1,213)	6,452	(14,469)
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	14,759	1,239	36,494	3,907	1,050	1,492	58,941
Transfers (to) other funds	(38,978)	(3,902)	(1,905)	(3,284)	-	(9,554)	(57,623)
Total other financing sources and uses	<u>(24,219)</u>	<u>(2,663)</u>	<u>34,589</u>	<u>623</u>	<u>1,050</u>	<u>(8,062)</u>	<u>1,318</u>
Net change in fund balances	(1,813)	(1,947)	4,386	(12,004)	(163)	(1,610)	(13,151)
Fund balances - beginning of year	67,623	19,700	59,380	3,045	4,875	26,800	181,423
Fund balances - end of year	<u>\$ 65,810</u>	<u>\$ 17,753</u>	<u>\$ 63,766</u>	<u>\$ (8,959)</u>	<u>\$ 4,712</u>	<u>25,190</u>	<u>168,272</u>

The notes to the 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, 2012 (000's Omitted)**

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

Net change in fund balances --total governmental funds	\$ (13,151)
Change in net assets of internal service fund reported in governmental activities	(8,849)
Capital assets used in governmental activities are not financial resources and, therefore, Governmental funds report capital outlays of \$47,311 as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense of \$24,929. This is the amount by which capital outlays exceeded depreciation in the current period.	22,382
Change in accrual of interest payable on notes and bonds payable	(15)
Change in accrual of unrestricted governmental aid	(76)
Change in accrual of property tax	(1,357)
Change in accrual of sales tax	534
Change in the pollution remediation liability	(1,140)
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 resource of governmental funds. Neither transaction has an effect on net assets.	
Debt principal payment	14,269
OPEB expense is not reported in the governmental funds.	(28,290)
NYS Canal lease expense is not reported in the governmental funds	91
Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore are not reported as expenditures in governmental funds	
Workers compensation	(353)
Compensated absences	(407)
Change in net assets of governmental activities	<u>\$ (16,362)</u>

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012 (000's Omitted)**

	Business-type Activities- Enterprise Funds						Total Funds	Governmental Activities- Internal Service Fund
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market		
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 9,455	\$ 3,606	\$ -	\$ 16,031	\$ 3,407	\$ 1,196	\$ 33,695	\$ 21,485
Receivables (net of allowance for uncollectibles)	12,780	212	1,085	2,400	572	-	17,049	-
Due from other governments	15	5	244	-	-	-	264	-
Due from other funds	343	729	5	1,731	1	31	2,840	1,414
Cash and cash equivalents - restricted	14,569	615	4	161	76	44	15,469	-
Due from other governments-restricted	6	-	-	-	-	-	6	-
Total Current assets:	37,168	5,167	1,338	20,323	4,056	1,271	69,323	22,899
Noncurrent assets:								
Capital assets:								
Land	572	8,825	165	30	139	708	10,439	-
Buildings	42,048	125,601	44,538	972	6,424	1,820	221,403	-
Improvements other than buildings	247,383	2,212	60	671	1,359	3,180	254,865	-
Equipment	5,805	2,689	5,677	15,927	1,688	33	31,819	-
Construction in progress	485	-	-	-	38	242	765	-
Less accumulated depreciation	(131,350)	(76,701)	(23,045)	(9,981)	(2,705)	(2,176)	(245,958)	-
Total Noncurrent assets (net of accumulated depreciation)	164,943	62,626	27,395	7,619	6,943	3,807	273,333	-
Total assets	202,111	67,793	28,733	27,942	10,999	5,078	342,656	22,899
LIABILITIES								
Current liabilities:								
Accounts payable accrued liab	5,273	720	5	1,664	212	85	7,959	3,317
Accrued interest payable	589	293	180	-	3	4	1,069	-
Worker's compensation, current portion	572	46	-	1,625	47	3	2,293	-
Notes payable	28,250	5,690	-	-	-	-	33,940	-
Bonds payable	3,855	1,945	880	-	25	225	6,930	-
Due to other funds	721	39	274	1,173	104	50	2,361	-
Due to other governments	247	59	-	223	20	8	557	-
Deferred revenue	-	53	-	-	120	-	173	-
Total current liabilities	39,507	8,845	1,339	4,685	531	375	55,282	3,317
Noncurrent liabilities:								
Worker's compensation	823	66	-	2,339	68	4	3,300	-
Bonds payable	22,510	14,425	12,095	-	105	-	49,135	-
OPEB liability	9,468	972	-	8,423	762	166	19,791	-
Total noncurrent liabilities:	32,801	15,463	12,095	10,762	935	170	72,226	-
Total liabilities	72,308	24,308	13,434	15,447	1,466	545	127,508	3,317
NET ASSETS								
Invested in capital assets, net of related debt	110,329	40,566	14,420	7,619	6,813	3,582	183,329	-
Restricted for capital projects	1,175	1,999	733	6,339	3,491	716	14,453	-
Restricted for debt service	5,070	1,646	4	161	76	44	7,001	-
Unrestricted (deficit)	13,229	(726)	142	(1,624)	(847)	191	10,365	19,582
Total net assets	\$ 129,803	\$ 43,485	\$ 15,299	\$ 12,495	\$ 9,533	\$ 4,533	\$ 215,148	\$ 19,582

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (000's Omitted)**

	Business-type Activities- Enterprise Funds						Total Funds	Governmental Activities- Internal Service Fund
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market		
Operating revenues:								
Charges for Services	\$ 35,988	\$ 9,805	\$ 1,571	\$ 25,724	\$ 1,370	\$ 730	\$ 75,188	\$ \$ -
Operating expenses:								
Personal services	6,684	1,685	-	6,244	804	219	15,636	-
Supplies and materials	11,590	4,582	767	11,236	359	991	29,525	-
Employee benefits	5,808	1,286	13	7,010	600	143	14,860	-
Depreciation	6,442	2,986	1,119	2,147	348	187	13,229	-
Claims settlement	-	-	-	-	-	-	-	11,122
Total operating expenses	30,524	10,539	1,899	26,637	2,111	1,540	73,250	11,122
Operating Income (loss)	5,464	(734)	(328)	(913)	(741)	(810)	1,938	(11,122)
Nonoperating revenues (expenses):								
Real property tax	-	-	517	-	893	920	2,330	-
Other taxes	-	-	679	-	-	-	679	-
Interest and penalties	1,466	-	-	-	2	-	1,468	-
Interest on investments	304	59	-	22	14	2	401	18
Federal Aid	4	11	-	-	-	-	15	-
State grant	-	145	-	-	-	-	145	-
Local and other sources	96	10	-	37	4	1	148	-
Interest Expense	(1,435)	(925)	(691)	-	(7)	(17)	(3,075)	-
Total non operating revenues (expenses)	435	(700)	505	59	906	906	2,111	18
Income (loss) before contributions and operating transfers	5,899	(1,434)	177	(854)	165	96	4,049	(11,104)
Transfers in	-	-	-	-	1,800	-	1,800	2,255
Transfers out	(5,374)	-	-	-	-	-	(5,374)	-
Change in net assets	525	(1,434)	177	(854)	1,965	96	475	(8,849)
Net assets - beginning (as originally reported)	129,278	48,212	15,122	13,349	7,568	4,437	217,966	28,431
Adjustments (see note I.G.7)	-	(3,293)	-	-	-	-	(3,293)	-
Net assets-beginning (as adjusted)	129,278	44,919	15,122	13,349	7,568	4,437	214,673	28,431
Total net assets -- ending	\$ 129,803	\$ 43,485	\$ 15,299	\$ 12,495	\$ 9,533	\$ 4,533	\$ 215,148	\$ 19,582

The notes to the 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, 2012 (000's Omitted)**

	Business-type Activities- Enterprise Funds						Governmental	
	Water	Parking	War Memorial	Refuse	Cemetery	Public Market	Activities- Internal Service Fund	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 35,779	\$ 10,179	\$ 1,593	\$ 25,670	\$ 1,349	\$ 730	\$ 75,300	\$ -
Payments to suppliers	(9,305)	(5,652)	(801)	(10,686)	(476)	(992)	(27,912)	(10,795)
Payments to employees	(11,849)	(1,614)	(18)	(12,380)	(1,199)	(287)	(27,347)	-
Net cash provided (used) by operating activities	<u>14,625</u>	<u>2,913</u>	<u>774</u>	<u>2,604</u>	<u>(326)</u>	<u>(549)</u>	<u>20,041</u>	<u>(10,795)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Real property taxes	-	-	517	-	893	920	2,330	-
Operating grants	9	1,559	661	-	4	-	2,233	-
Transfers (to) from other funds	(5,215)	(334)	(97)	928	1,879	48	(2,791)	11,341
Net cash provided (used) by noncapital financing activities	<u>(5,206)</u>	<u>1,225</u>	<u>1,081</u>	<u>928</u>	<u>2,776</u>	<u>968</u>	<u>1,772</u>	<u>11,341</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sales of bonds and notes	14,111	440	-	-	-	-	14,551	-
Principal paid on bonds and notes	(4,692)	(2,443)	(1,015)	-	(25)	(225)	(8,400)	-
Capital grants	4	145	-	-	-	-	149	-
Interest expense paid on bonds and notes	(1,330)	(950)	(704)	-	(8)	(21)	(3,013)	-
Payments to contractors	(11,125)	(1,793)	(137)	(910)	(1,126)	(265)	(15,356)	-
Proceeds from sale of capital assets	24	172	1	880	263	-	1,340	-
Net cash used by capital and related financing activities	<u>(3,008)</u>	<u>(4,429)</u>	<u>(1,855)</u>	<u>(30)</u>	<u>(896)</u>	<u>(511)</u>	<u>(10,729)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received from investments and customers	1,770	56	-	24	15	2	1,867	18
Net Increase (decrease) in cash and cash equivalents	8,181	(235)	-	3,526	1,569	(90)	12,951	564
Cash and cash equivalents at beginning of year	15,843	4,456	4	12,666	1,914	1,330	36,213	20,921
Cash and cash equivalents at end of year	<u>\$ 24,024</u>	<u>\$ 4,221</u>	<u>\$ 4</u>	<u>\$ 16,192</u>	<u>\$ 3,483</u>	<u>\$ 1,240</u>	<u>\$ 49,164</u>	<u>\$ 21,485</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 5,464	\$ (734)	\$ (328)	\$ (913)	\$ (741)	\$ (810)	\$ 1,938	\$ (11,122)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	6,442	2,986	1,119	2,147	348	187	13,229	-
Increase (decrease) in Accounts Payable - Supplier	2,252	(96)	(33)	490	(117)	(1)	2,495	327
(Increase) decrease in Customer Receivables	(210)	375	22	(54)	(22)	-	111	-
Increase (decrease) in Compensated absences	(23)	(2)	-	11	5	8	(1)	-
Increase (decrease) in Salaries & Benefits Payable	700	384	(6)	923	201	67	2,269	-
Net Cash provided (used) by operating activities	<u>\$ 14,625</u>	<u>\$ 2,913</u>	<u>\$ 774</u>	<u>\$ 2,604</u>	<u>(\$ 326)</u>	<u>(\$ 549)</u>	<u>\$ 20,041</u>	<u>\$ (10,795)</u>

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

THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012 (000's Omitted)

	<u>Private Grants</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 1,185	\$ 15,498
Investments	2,283	-
Receivables (net of allowance)	450	197
Total assets	<u>3,918</u>	<u>15,695</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>29</u>	<u>15,695</u>
Total liabilities	<u>29</u>	<u>15,695</u>
NET ASSETS		
Held in trust and other purposes	<u>\$ 3,889</u>	<u>\$ -</u>

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

**THE CITY OF ROCHESTER, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012 (000's Omitted)**

	<u>Private Grants</u>
ADDITIONS	
Additions	\$ 717
Total additions	<u>717</u>
DEDUCTIONS	
Community services	308
Change in Net Assets	<u>409</u>
Net Assets-- beginning of the year	3,480
Net Assets -- end of the year	<u><u>\$ 3,889</u></u>

The notes to the 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.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets 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 to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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.

The City has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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, and the sale of event tickets for the War Memorial, sale of graves for Cemetery, and vendor charges at the Public Market. Operating expenses for the enterprise funds, and the internal service fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. NEW ACCOUNTING PRINCIPLES

The GASB has issued the following new statements:

- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending June 30, 2013;
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending June 30, 2013;
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which will be effective for the year ending June 30, 2013; and
- Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which will be effective for the year ending June 30, 2013.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending June 30, 2014;
- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, which will be effective for the year ending June 30, 2014;
- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending June 30, 2014; and
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending June 30, 2015.

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

E. USE OF ESTIMATES

The preparation of general purpose financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. REAL PROPERTY TAX

Property taxes are levied as of July 1st, on which date they become liens on real property, and are payable in quarterly installments due on July 31st, September 30th, January 31st and March 31st. All non-*ad valorem* amounts are due with the first quarterly installment.

The City is permitted by the Constitution of New York State to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt service and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2012, the City had a legal margin of \$29,657,508.

G. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

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

The City, in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, reports investments at fair value in the balance sheet. In addition, income from investments associated with one fund is assigned to other funds because of legal or contractual provisions.

2. Restricted Assets

Certain assets are classified on the balance sheet 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. Community Development Block Grant funds must be used only for approved programs. Cemetery perpetual care funds cannot be expended. However, the interest earnings can be spent for cemetery maintenance functions.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable Governmental or Business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to fiscal year 1980 is not reported, as permitted by GASB Statement No. 34. The City defines capital assets as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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. Compensated Absences

It is the City's policy to pay employees for unused vacation and compensatory time when there is a separation from service. For Governmental activities, the current portion of this liability is accrued in the appropriate fund and the long-term portion is accrued in the entity-wide statement of net assets as noncurrent liabilities. For Business-type funds, the full liability is recognized at both the fund and entity-wide level.

5. 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 assets. Bond premiums, if any, are deposited in the debt service fund and used to retire debt in the respective funds. Bond issuance costs that are immaterial are charged as a general fund operating expense.

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

6. Fund Balances — Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

- **Non-spendable**-amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**-amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed**-amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council.
- **Assigned**-amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City Charter, the Director of Finance has the authority to assign amounts for specific purposes.

The Assigned category includes funds encumbered for contract services and purchase orders that were open as of June 30, 2012.

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

As of June 30, 2012, governmental fund balances were classified as follows (000's omitted):

	General	Debt Service	Capital Projects		Special Revenue	Nonmajor Govern- mental Funds	Total Govern- mental Funds
			General	Transportation	Community Development		
Nonspendable:							
Past due receivables	\$ 6,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,641
Restricted:							
Debt service	-	4,037	-	-	-	-	4,037
Capital projects	-	-	-	-	-	-	-
Community development	-	-	-	-	3,655	-	3,655
Federal projects	-	-	-	-	-	2,319	2,319
Foreign fire insurance	-	-	-	-	-	6,949	6,949
State projects	-	-	-	-	-	542	542
Committed:							
Retirement costs	19,716	-	-	-	-	-	19,716
Property tax relief	18,907	-	-	-	-	-	18,907
Capital projects	-	-	63,185	-	-	-	63,185
Federal block grant	-	-	-	-	1,057	-	1,057
Cemetery perpetual care	-	-	-	-	-	5,045	5,045
Economic development	-	-	-	-	-	1,119	1,119
Sewer - Capital	-	-	-	-	-	281	281
Assigned:							
Open purchase orders and contracts:							
General government	1,704	-	-	-	-	-	1,704
Police	232	-	-	-	-	-	232
Fire	648	-	-	-	-	-	648
Emergency communications	211	-	-	-	-	-	211
Environmental services	1,029	-	-	-	-	-	1,029
Recreation & Youth Services	718	-	-	-	-	-	718
Neighborhood & business development	223	-	-	-	-	-	223
Subsequent years' expenditures	4,921	-	-	-	-	-	4,921
Postemployment benefits	6,000	-	-	-	-	-	6,000
Debt service	-	13,716	-	-	-	-	13,716
Capital projects	-	-	581	-	-	-	581
Animal control	-	-	-	-	-	456	456
Local works	-	-	-	-	-	6,847	6,847
Downtown programs	-	-	-	-	-	2,001	2,001
Unassigned							
General fund	4,860	-	-	-	-	-	4,860
Capital projects	-	-	-	(8,959)	-	-	(8,959)
Cultural & Recreation - Capital	-	-	-	-	-	(218)	(218)
Library	-	-	-	-	-	(151)	(151)
Totals	\$ 65,810	\$ 17,753	\$ 63,766	\$ (8,959)	\$ 4,712	\$ 25,190	\$ 168,272

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.

7. Restatement Of Beginning Net Assets

A prior period adjustment was made to reduce Beginning Construction in Progress (CIP) in the amount of \$3,293,000, resulting from a clerical error that omitted the necessary reduction to CIP. Net assets for Business-type Activities and the Parking Fund were restated as of June 30, 2011 from \$217,966,000 to \$214,673,000 and from \$48,212,000 to \$44,919,000, respectively.

8. Encumbrances & Commitments

Encumbrances are recorded at the time a purchase order, construction contract, or service agreement is finalized. In governmental funds, commitments are encumbered and reported as reservations of fund balances, since they do not constitute expenditures or liabilities. Total encumbrances for construction and other governmental fund capital projects as of June 30, 2012 were \$58,496,067. This amount is composed of \$36,475,469 in general government projects, \$9,452,727 in transportation projects, as well as \$2,363,693 in nonmajor governmental fund capital projects. In addition, \$10,204,178 was encumbered in the Special Revenue fund for Community Development projects.

In enterprise funds, commitments outstanding at year-end are included in Unrestricted Net Assets. Total commitments in the enterprise funds for operations and capital projects as of June 30, 2012 were \$9,489,457. This was composed of \$7,550,090 for Water Fund projects, \$64,101 for Refuse Fund projects, \$851,437 for Parking Fund projects, \$10,653 for War Memorial projects, \$800,947 for Cemetery projects, and \$212,229 for Public Market projects.

9. Cash and Cash Equivalent

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council appropriates a total expenditure budget based on projected revenues. The budget allocations among the various organizational units, as amended by City Council, are included in the Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget and Actual, General, Certain Special Revenue and Enterprise Fund, 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 41 (*Budgetary Comparison Schedules – Perspective Differences*), a non-GAAP budget-to-actual schedule is presented as Required Supplemental Information after the Basic Financial Statements. An administrative level budget-to-actual schedule is presented as Other Supplemental Information following the combining and individual fund statements and schedules.

Appropriations for all budgets lapse at fiscal year-end. The combined General, Special Revenue, and Enterprise fund budget is adopted on a departmental basis in which expenditures may not legally exceed appropriations on a departmental level. Current year encumbrances are included with expenditures; however, the expenditure of prior years' encumbrances is 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 the following 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 \$698,000. Estimated revenues increased by \$9,210,000, transfers to other funds increased by \$15,244,000 and transfers from other funds increased by \$3,902,000. Appropriation of fund balance increased by \$1,434,000.

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. As of June 30, 2012 the following funds had deficit fund balances: the Cultural and Recreation Capital Project Fund — \$218,000, and the Library Fund — \$150,000. The City intends to eliminate the deficit fund balance in the Library Fund with an additional transfer of property tax support.

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 \$163,863,762 and the bank balance was \$171,866,977. 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 \$143,192,749. 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 in the form of money markets at fair value of \$102,850,000. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

At year-end, the School District had cash equivalents in the form of money markets at fair value of \$122,014,512. These cash equivalents were collateralized at 102% with U.S. Government securities held by a third-party.

3. Investments

At year-end, City had \$2,283,061 of Library trust funds invested: \$1,088,958 was invested in US Government Securities and \$1,109,055 in equities, plus \$85,048 of the portfolio classified as cash and accrued income. Library trust fund investments, which derive from private contributions, constitute only less than one percent of the City's deposits, cash equivalents, and investments. These funds, which provide resources for restricted purposes, are managed separately under the control of an independent library board, rather than under the City Treasurer's cash management policies described above. Approximately one-half of this portfolio is invested in U.S. Treasury and agency obligations. The remaining is invested in stocks and mutual funds for which ratings are unavailable. These equities have been characterized as 50% growth investments and 50% value investments. Since this portfolio is not protected by the City's collateral agreements and has exposure to cyclical markets, there is greater custodial and credit risk.

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

In accordance with certain contractual provisions, investment income of \$40,386 for fiscal year 2012, associated with the Capital Projects Fund, was assigned to the Debt Service Fund. In addition, investment income of \$2,570 for fiscal year 2012, associated with the Cemetery Perpetual Care Fund, was assigned to the Cemetery Enterprise Fund.

B. RECEIVABLES AND PAYABLES

The Primary Government had \$55,955,000 in accounts receivables at year-end. The major Governmental activities receivable was \$29,616,000 in economic development and housing loans made from the Community Development Special Revenue Fund. The major Business-type receivables were \$12,780,000 in the Water Fund, \$2,400,000 in the Refuse Fund, \$1,085,000 in the War Memorial Fund, and \$572,000 in the Cemetery Fund.

Receivables are reported net of allowance for uncollectibles, which were established based on current collection experience. Allowances for uncollectibles for major revenue sources are as follows: General Fund property taxes (\$3,096,491), Water Fund (\$1,955,006), and Refuse Fund (\$3,156,228).

The amount due from other governments to the City, as presented in the fund level statements as of June 30, 2012, was \$75,643,000. This was comprised of the following items: \$28,238,000 from New York State, \$41,316,000 from Monroe County, \$5,739,000 from the Federal Government, and \$350,000 from others.

The amount due from other governments and the primary government to the School District as of June 30, 2012 was \$42,749,955. This was comprised of the following items: \$28,683,635 from New York State, \$11,222,566 from the Federal Government, and \$2,843,754 from other sources.

The Primary Government had \$41,762,000 in accounts payable and accrued liabilities at year-end. This was principally made up of vouchers expensed but not yet disbursed and payroll liability not yet disbursed, both due to the normal lag in processing such transactions.

The School District Component Unit had \$35,467,730 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			Balance June 30, 2012
	June 30, 2011	Additions	Deductions	
Capital assets, not being depreciated:				
Land	\$ 24,885	\$ 431	\$ -	\$ 25,316
Construction in progress	4,111	2,780	5,100	1,791
Total capital assets, not being depreciated	<u>\$ 28,996</u>	<u>\$ 3,211</u>	<u>\$ 5,100</u>	<u>\$ 27,107</u>
Capital assets, being depreciated:				
Buildings	\$ 225,063	\$ 4,993	\$ -	\$ 230,056
Improvements other than buildings	48,874	6,626	-	55,500
Machinery and equipment	96,286	10,094	3,896	102,484
Infrastructure	564,393	27,629	-	592,022
Total capital assets being depreciated	<u>934,616</u>	<u>49,342</u>	<u>3,896</u>	<u>980,062</u>
Less accumulated depreciation for:				
Buildings	84,111	5,093	-	89,204
Improvements other than buildings	17,138	1,879	-	19,017
Machinery and equipment	54,679	8,124	3,754	59,049
Infrastructure	144,720	9,833	-	154,553
Total accumulated depreciation	<u>300,648</u>	<u>24,929</u>	<u>3,754</u>	<u>321,823</u>
Total capital assets, being depreciated, net:	<u>633,968</u>	<u>24,413</u>	<u>142</u>	<u>658,239</u>
Governmental activities capital assets, net:	<u>\$ 662,964</u>	<u>\$ 27,624</u>	<u>\$ 5,242</u>	<u>\$ 685,346</u>

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

Class	Balance			Balance
	June 30, 2011	Additions	Deductions	June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 10,439	\$ -	\$ -	\$ 10,439
Construction in progress	10,825	7,258	17,318	765
Total capital assets, not being depreciated	<u>\$ 21,264</u>	<u>\$ 7,258</u>	<u>\$ 17,318</u>	<u>\$ 11,204</u>
Capital assets, being depreciated:				
Buildings	\$ 219,128	\$ 2,275	\$ -	\$ 221,403
Improvements other than buildings	233,670	21,195	-	254,865
Machinery and equipment	31,752	618	551	31,819
Total capital assets being depreciated	<u>484,550</u>	<u>24,088</u>	<u>551</u>	<u>508,087</u>
Less accumulated depreciation for:				
Buildings	107,729	4,843	-	112,572
Improvements other than buildings	108,375	5,084	-	113,459
Machinery and equipment	17,163	3,302	538	19,927
Total accumulated depreciation	<u>233,267</u>	<u>13,229</u>	<u>538</u>	<u>245,958</u>
Total capital assets, being depreciated, net:	<u>251,283</u>	<u>10,859</u>	<u>13</u>	<u>262,129</u>
Business-type activities capital assets, net:	<u>\$ 272,547</u>	<u>\$ 18,117</u>	<u>\$ 17,331</u>	<u>\$ 273,333</u>

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

Governmental activities:	
General government	\$ 3,235
Police	2,073
Fire	1,872
Emergency communications	290
Transportation	9,820
Environmental services	3,497
Recreation and youth services	1,858
Library	981
Community development	1,303
Total depreciation expense - governmental activities	<u>\$ 24,929</u>
Business-type activities:	
Water	\$ 6,442
Parking	2,986
War Memorial	1,119
Refuse	2,147
Cemetery	348
Public market	\$ 187
Total depreciation expense - business type activities	<u>\$ 13,229</u>
Total depreciation - Primary Government	<u>\$ 38,158</u>

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

Class	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Capital assets, not being depreciated:				
Land	\$ 17,439	\$ -	\$ -	\$ 17,439
Construction in progress	7,758	19,603	11,257	16,104
Total capital assets, not being depreciated	<u>\$ 25,197</u>	<u>\$ 19,603</u>	<u>\$ 11,257</u>	<u>\$ 33,543</u>
Capital assets, being depreciated:				
Buildings	\$ 583,516	\$ 9,156	\$ 834	\$ 591,838
Machinery and equipment	49,636	3,369	1,887	51,118
Total capital assets being depreciated	<u>633,152</u>	<u>12,525</u>	<u>2,721</u>	<u>642,956</u>
Less accumulated depreciation for:				
Buildings	219,779	19,674	445	239,008
Machinery and equipment	32,973	5,759	1,766	36,966
Total accumulated depreciation	<u>252,752</u>	<u>25,433</u>	<u>2,211</u>	<u>275,974</u>
Total capital assets, being depreciated, net:	<u>380,400</u>	<u>(12,908)</u>	<u>510</u>	<u>366,982</u>
School District capital assets, net:	<u>\$ 405,597</u>	<u>\$ 6,695</u>	<u>\$ 11,767</u>	<u>\$ 400,525</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, 2012:

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

	Balance June 30, 2011	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2012	Due Within One Year
Bond Anticipation Notes					
Public improvement	\$ 36,592	\$ 15,434	\$ (2,888)	\$ 49,138	\$ 49,138
Library	1,005	140	(55)	1,090	1,090
Sewer	260	-	(35)	225	225
Total Capital Projects Funds	37,857	15,574	(2,978)	50,453	50,453
Debt service fund	-	-	-	-	-
Total Bond Anticipation Notes	<u>\$ 37,857</u>	<u>\$ 15,574</u>	<u>\$ (2,978)</u>	<u>\$ 50,453</u>	<u>\$ 50,453</u>

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

	Balance June 30, 2011	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2012	Due Within One Year
Bond Anticipation Notes					
Water	\$ 14,759	\$ 14,111	\$ (620)	\$ 28,250	\$ 28,250
Parking	5,728	440	(478)	5,690	5,690
Cemeteries	-	-	-	-	-
Public Market	-	-	-	-	-
Total Bond Anticipation Notes	<u>\$ 20,487</u>	<u>\$ 14,551</u>	<u>\$ (1,098)</u>	<u>\$ 33,940</u>	<u>\$ 33,940</u>

E. LONG-TERM LIABILITIES

The following tables summarize changes in the City's long-term liabilities for the year ended June 30, 2012:

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

	Balance June 30, 2011	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2012	Due Within One Year
General Obligation Bonds					
Public improvement	\$ 63,083	\$ -	\$ (13,253)	\$ 49,830	\$ 16,429
Sewer	2,798	-	(648)	2,150	505
Library	1,983	-	(368)	1,615	505
Total General Obligation Bonds	67,864	-	(14,269)	53,595	17,439
Other Noncurrent liabilities:					
NYS Canal Corp. Lease	727	91	(182)	636	182
Workers' compensation	8,949	3,518	(3,165)	9,302	3,814
Pollution remediation	11,083	3,811	(2,671)	12,223	-
OPEB liability	218,773	51,998	(23,708)	247,063	-
Total Other Noncurrent liabilities	239,532	59,418	(29,726)	269,224	3,996
TOTAL NONCURRENT LIABILITIES	\$ 307,396	\$ 59,418	\$ (43,995)	\$ 322,819	\$ 21,435

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

	Balance June 30, 2011	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2012	Due Within One Year
General Obligation Bonds					
Water	\$ 30,437	\$ -	\$ (4,072)	\$ 26,365	\$ 3,855
War Memorial	13,990	-	(1,015)	12,975	880
Parking	18,335	-	(1,965)	16,370	1,945
Cemeteries	155	-	(25)	130	25
Public Market	450	-	(225)	225	225
Total General Obligation Bonds	63,367	-	(7,302)	56,065	6,930
Other Noncurrent liabilities:					
Workers' compensation	6,298	1,153	(1,859)	5,592	2,293
OPEB liability	16,948	4,032	(1,188)	19,792	-
Total Other Noncurrent liabilities	23,246	5,185	(3,047)	25,384	2,293
TOTAL NONCURRENT LIABILITIES	\$ 86,613	\$ 5,185	\$ (10,349)	\$ 81,449	\$ 9,223

The City's other noncurrent liabilities are liquidated in the fund where the liability was incurred. Thus, the General Fund satisfies most liabilities for Governmental activities. In regard to Business-type activities, other noncurrent liabilities are allocated to the appropriate proprietary fund.

The following table summarizes changes in the School District Component Unit's noncurrent and debt-related liabilities for the year ended June 30, 2012:

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

	Balance June 30, 2011	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2012	Due Within One Year
General Obligation Bonds					
General Fund	\$ 152,490	\$ -	\$ (13,934)	\$ 138,556	\$ 13,321
Bond Anticipation Notes (BANS)					
Capital Projects Fund	25,320	12,507	(2,665)	35,162	35,162
Other Noncurrent Liabilities					
OPEB Liability	148,907	27,551	(14,652)	161,806	-
NYS Education Department (EPE)	6,387	-	(2,129)	4,258	2,129
NYS Special Purpose Bonds - 2003	2,821	-	(1,385)	1,436	1,436
NYS Lottery advance	16,000	-	(667)	15,333	667
NYS Teachers' Retirement Incentive	10,986	-	(2,472)	8,514	2,746
NYS Employees' Retirement Incentive	3,400	-	(850)	2,550	850
Claims payable	21,426	4,301	(3,666)	22,061	4,449
Compensated absences	3,507	6,539	(7,433)	2,613	2,613
Installment purchase debt	15,036	348	(2,918)	12,466	2,679
RJSCB Liability	-	124,100	-	124,100	2,679
Total Other Noncurrent Liabilities	<u>228,470</u>	<u>162,839</u>	<u>(36,172)</u>	<u>355,137</u>	<u>20,248</u>
Total Bonds, BANS, and Other Noncurrent Liabilities	<u>\$ 406,280</u>	<u>\$ 175,346</u>	<u>\$ (52,771)</u>	<u>\$ 528,855</u>	<u>\$ 68,731</u>

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.

As of June 30, 2012, the City had three Bond Anticipation Notes, one for \$45,000,000 at 2.00%, one for \$26,390,000 at 1.00%, both maturing August 16, 2012, and one for \$48,165,000 at 1.00% maturing February 15, 2013. As reported above, these BANS were the combined short term financing for capital projects in governmental activities, business-type activities, and for the school district.

1. Dormitory Authority of the State of New York

During fiscal 2003 the City financed \$30,295,000 through the Dormitory Authority of the State of New York to advance refund \$29,875,900 of general obligation bonds, now considered defeased, and \$419,100 of associated issuing costs. This was done to restructure School District debt service payments to more closely match New York state reimbursement levels for building aid, which are over a more extended timeframe. Based on a present value analysis, the School District had a \$977,900 economic loss resulting from extending the term of the debt. The proceeds from this refunding issue are held in an irrevocable trust on behalf of the original bondholders, thus eliminating the liability for refinanced bonds. The indebtedness to the Dormitory Authority is secured with the assignment and pledge of state education aid. As of June 30, 2012, the amount outstanding was \$16,778,000.

2. Debt Service Requirements

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

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities		School District		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	12,450	2,178	6,930	2,465	13,321	6,067	43,411
2014	9,885	1,693	6,320	2,184	13,110	5,507	38,699
2015	7,335	1,320	6,225	1,922	13,263	4,941	35,006
2016	4,805	1,001	5,895	1,663	13,340	4,355	31,059
2017	3,275	818	4,975	1,418	12,999	3,773	27,258
2018-2022	9,265	2,368	18,640	4,098	59,007	10,328	103,706
2023-2027	3,760	971	6,945	817	13,516	959	26,968
2028-2032	2,820	265	135	7	-	-	3,227
	<u>\$ 53,595</u>	<u>\$ 10,614</u>	<u>\$ 56,065</u>	<u>\$ 14,574</u>	<u>\$ 138,556</u>	<u>\$ 35,930</u>	<u>\$ 309,334</u>

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

Outstanding Bond Issues – June 30, 2012

Issue	Rate (%)	Principal Balance	Amount Issued	Final Maturity	Capital Project Fund Categories (1)
General Obligation-1994, Series A	5.000	3,490,000	63,577,000	August 15, 2022	G,L,P,R,S,W,Sch
General Obligation-1996, Series A	5.000	445,000	70,690,000	September 15, 2023	G,L,P,S,W,Sch
General Obligation-1996, Series B (Taxable)	6.700	4,180,000	9,380,000	September 15, 2024	Parking only
General Obligation Serial Bonds-1997	5.000	4,240,000	55,960,000	October 1, 2025	G,L,P,S,W,Sch
General Obligation Serial Bonds-1999	5.250	11,455,000	69,575,000	October 1, 2026	G,W,S,L,WM,Sch
General Obligation Serial Bonds-2001, Series A	4.250	1,825,000	29,275,000	October 15, 2027	G,L,S,W,Sch
General Obligation Serial Bonds-2001, Series B	4.500	2,232,400	35,350,000	February 15, 2028	G,S,PM,WM,W,Sch
Dormitory Authority 2002	4.000	16,778,000	30,295,000	February 15, 2025	School only
General Obligation Serial Bonds-2004, Series A	3.000	22,105,000	47,000,000	October 15, 2031	G,S,W,P,PM,Sch
General Obligation Serial Bonds-2004, Series B	3.000	25,530,000	54,605,000	February 15, 2031	G,S,W,WM,P,Sch
General Obligation Serial Bonds-2006, Series A	3.750	32,980,000	58,320,000	February 15, 2025	G,S,W,Sch
General Obligation Serial Bonds-2006, Series B	3.750	12,470,000	41,800,000	October 15, 2024	G,S,W,P,Sch
General Obligation Serial Bonds-2008, Series A	3.250	9,160,000	19,005,000	February 1, 2022	G,S,W,P
General Obligation Serial Bonds-2008, Series B	3.000	23,000,000	39,220,000	October 15, 2026	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C1	5.110	71,545,000	92,996,949	February 10, 2024	G,S,L,W,P,C,PM,Sch
General Obligation Serial Bonds-2009, Series C2 (Taxable) BAB (2)	5.521	3,215,000	3,215,000	February 10, 2019	G,S,W,P,Sch
General Obligation Serial Bonds-2009, Series C3 (Taxable) RZB (3)	5.521	1,830,000	1,830,000	February 10, 2024	G,W,P
General Obligation Serial Bonds-2010, QECB	2.000	1,735,000	2,166,400	July 1, 2015	G,L,P
Total		<u>\$ 248,215,400</u>			

(1) Capital Project Fund Categories: C = Cemeteries, G = Public Improvements, L = Library, P = Parking, PM = Public Market, R = Refuse, S = Sewer, Sch = School District, W = Water, WM = War Memorial

(2) Build American Bonds as authorized under the American Recovery and Reinvestment Act (ARRA) of 2009

(3) Recovery Zone Bonds as authorized under the American Recovery and Reinvestment Act (ARRA) of 2009

General obligation bonds are direct obligations for which the full faith and credit of the City are pledged. Bonds are generally issued as serial bonds for a period equivalent to one-half of the period of probable usefulness for each improvement as defined by the New York State Local Finance Law. The interest rates on long-term debt range from 2.0% to 6.7% with maturity dates through fiscal 2032. Bonds authorized but unissued as of June 30, 2012, amounted to \$13,103,550, which includes \$230,000 for the facilities modernization program of the Rochester Joint School Construction Board. The debt-contracting margin of the City as of June 30, 2012, was \$219,766,090.

The City is in compliance with Internal Revenue Service regulations regarding arbitrage restrictions on tax-exempt bonds. No arbitrage rebate payments were due or made during fiscal 2012.

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 \$3,811,425, and spent \$2,671,400 in pollution remediation obligation related activities. At June 30, 2012, the City had an outstanding pollution remediation liability of \$12,223,494.

G. DEFERRED REVENUE

Under the accrual method of accounting, revenue must be recognized as soon as it is earned, regardless of availability. Thus, deferred revenue is reported as income on the entity-wide statements. Conversely, under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period. Thus, deferred revenue is reported as a liability on the fund-level statements.

Deferred revenue of \$7,240,874 in the City's General Fund relates primarily to property taxes that will not be collected within sixty days. Deferred revenue of \$23,357,164 in the Community Development Special Revenue Fund relates to long-term receivable balances from various community development programs.

Cash received by the School District in advance of expenditures for Special Aid Fund projects has been recorded as deferred revenue. These funds represent receipts for various grants of which were not fully spent at June 30, 2012. As the funds are spent during fiscal 2011-12, revenue will be recorded.

H. LEASE OF SEWER AND WASTE DISPOSAL FACILITIES

The City has entered into a contract with the Monroe County Pure Waters District (MCPWD), under which MCPWD leases all of its sewer system and waste treatment facilities and assumes much of the related debt service costs on obligations incurred by the City in connection with these facilities. In fiscal year 2012, these debt service costs amounted to \$795,999 of which \$120,118 was reimbursed by MCPWD.

I. LEASE FROM NYS CANAL CORPORATION

The City has a 20-year operating lease with the New York Canal Commission for a strip of land that provides riverfront access to the Corn Hill Landing Project, a residential and commercial development. In accordance with the agreement, the City will make annual payments of \$203,275 during the second half of the lease, fiscal years 2012 through 2021. As of June 30, 2012, the accrued lease liability (net of receivables from a sublease) was \$636,633. The lease has a renewable option for an additional 20-year term. In a related agreement, the City has provided for public access to the waterfront and adjacent areas with the purchase of a permanent easement from the Corn Hill Landing developer.

IV. OTHER INFORMATION**A. RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been fully self-insured for all workers' compensation and general liability risks for over thirty years. Settled claims have not exceeded established reserves. Workers' compensation claims are funded from a liability reserve in the General Fund, Special Revenue, and Enterprise Funds. General liability and property liability claims are funded from contributions made to a Claims Settlement Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Settlements have not exceeded established reserves for the past three years.

At June 30, 2012, the amount of these liabilities was \$18,244,000. Liability estimates are based on the valuations of the insurance companies administering the programs. Changes in the reported liability since June 30, 2010 resulted from the following (000's Omitted):

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>	<u>Total</u>
Estimated claims June 30, 2010	\$ 10,331	\$ 2,138	\$ 12,469
Claims incurred 2010-11	\$ 9,171	\$ 1,766	\$ 10,937
Payments 2010-11	(4,255)	(914)	\$ (5,169)
Estimated claims June 30, 2011	<u>\$ 15,247</u>	<u>\$ 2,990</u>	<u>\$ 18,237</u>
Claims incurred 2011-12	\$ 4,708	\$ 10,883	\$ 15,591
Payments 2011-12	(5,024)	(10,560)	\$(15,584)
Estimated claims June 30, 2012	<u>\$ 14,931</u>	<u>\$ 3,313</u>	<u>\$ 18,244</u>

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

The schedule below presents the changes in the School District's estimated claims since June 30, 2010 for workers' compensation and major medical programs. The estimated claims for workers' compensation represent claims that have occurred and are open, due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. The calculation is based on the present value of future payouts. The estimated claims for major medical represent an amount based on prior experience with actual payments of claims (000's Omitted):

	<u>Workers'</u> <u>Compensation</u>	<u>Major</u> <u>Medical</u>	<u>Total</u>
Estimated claims June 30, 2010	\$ 20,537	\$ 7	\$ 20,544
Claims incurred 2010-11	5,316	-	\$ 5,316
Payments 2010-11	(4,456)	(7)	\$ (4,463)
Estimated claims June 30, 2011	<u>\$ 21,397</u>	<u>\$ -</u>	<u>\$ 21,397</u>
Claims incurred 2011-12	\$ 4,251	\$ -	\$ 4,251
Payments 2011-12	(3,623)	-	\$ (3,623)
Estimated claims June 30, 2012	<u>\$ 22,025</u>	<u>\$ -</u>	<u>\$ 22,025</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 government expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these suits is not presently determinable, in the opinion of the City's Corporation Counsel, the resolution of these matters will not have a material adverse effect on the financial condition or results of operation.

C. POST-EMPLOYMENT BENEFITS (OBLIGATIONS FOR HEALTH INSURANCE & FIREFIGHTER DISABILITY)

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2006, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2006 liability.

Plan Description. The City provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the City. Based on collective bargaining agreements, the retiree, and his or her beneficiaries, receives this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of premium costs range from 0% to 25%, depending on the employee group and length of service. Also, under requirements of state and local law, the City compensates firefighters that retire due to disability until the mandatory retirement age of 70. This compensation is equal to the differential between the retiree's pension and the salary that they would be paid if still in active service. There are currently 66 firefighters receiving such compensation.

The School District, per its contracts with employee units, will pay the full premium costs for the basic health and hospitalization coverage (currently provided by Blue Cross/Blue Shield of the Rochester Area) for an employee of the District at retirement, provided the employee has been employed with the District for at least ten consecutive years of continuous employment prior to the date of retirement. These contracts will be renegotiated at various times in the future. The retiree, however, assumes the full premium for the major medical plan.

The number of participants as of July 1, 2011, the effective date of the biannual OPEB valuation, follows:

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

Funding Policy. The City and the District currently pay for postemployment health care benefits on a pay-as-you-go basis. Although both entities are studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual Other Postemployment Benefit Cost. For the fiscal year ended June 30, 2012, the City's annual OPEB cost (expense) of \$56,028,684 is not equal to the Annual Required Contribution, which is \$45,686,644. Considering the annual expense as well as the payment of current health insurance premiums, which totaled \$24,896,752 for retirees and their beneficiaries, the result was an increase in the Net OPEB Obligation of \$31,131,932 for the year ended June 30, 2012.

Considering the District's annual expense as well as the payment of current health insurance premiums, which totaled \$14,652,284, the result was an increase in the District's Net OPEB Obligation of \$12,898,467 for the year ended June 30, 2012.

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method

	<u>City</u>	<u>School District</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 45,686,644	\$ 34,693,810	\$ 80,380,454
Interest on Net OPEB Obligation	9,428,857	5,956,299	15,385,156
Adjustment to ARC	913,183	(13,099,358)	(12,186,175)
Annual OPEB cost (expense)	56,028,684	27,550,751	83,579,435
Contribution for fiscal year ended June 30, 2012	(24,896,752)	(14,652,284)	(39,549,036)
Increase in net OPEB obligation	31,131,932	12,898,467	44,030,399
Net OPEB obligation June 30, 2011	235,721,418	148,907,486	384,628,904
Net OPEB obligation June 30, 2012	<u>\$ 266,853,350</u>	<u>\$ 161,805,953</u>	<u>\$ 428,659,303</u>

Percent of annual OPEB cost contributed	44.44%	53.18%	47.32%
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The City's annual OPEB cost and contribution for year ended June 30, 2012 and the prior years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	59,495,533	18,665,917	31.37%	205,931,014
2011	49,750,299	19,959,895	40.12%	235,721,418
2012	56,028,684	24,896,572	44.44%	266,853,350

The District's annual OPEB cost and contribution for year ended June 30, 2012 and the prior two years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	41,746,291	13,673,364	32.75%	115,916,399
2011	51,981,776	18,990,689	36.53%	148,907,486
2012	27,550,751	14,652,284	53.18%	161,805,953

Funded status and funding progress. For the fiscal year ended June 30, 2012, the City and the District OPEB plans were unfunded. The schedule of funding progress, provided as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2012 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4% rate. The valuation assumes a 9.0% healthcare cost trend increase, beginning in calendar 2013, trending downward by 1% per year until calendar year 2017 at which time the trend is projected to increase at 5% in calendar year 2017 and later. The valuation also applied a 1% inflation rate increase beginning in the calendar year 2013 and later, treating the 2011 and 2012 costs as fixed (known) costs since these inflation rates have already been released.

Medical Reimbursements. The City's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Subsidies for, which were \$973,836 for the City in fiscal 2012, cannot be projected as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for retirees per agreement between the District and Association of Supervisors and Administrators of Rochester. As of June 30, 2012, there were 30 active participants. During fiscal year 2011-12 the District paid MRA claims totaling \$12,254.

D. EMPLOYEE RETIREMENT SYSTEMS

1. Description of Plans

The City participates in the New York State and Local Employees' Retirement System (ERS), and the New York State and Local Police and Fire Retirement System (PFRS). The School District also participates in the New York State and Local Employees' Retirement System and in the New York State and the Local Teachers' Retirement System (TRS). These are cost sharing multiple public employer retirement systems (Systems). The New York State Retirement and Social Security Laws govern obligations of employers and employees to contribute and benefits to employees. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service.

All participating employers in each System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Systems. The Systems are contributory except for Tier I and II employees who joined the Employees' Retirement System before July 27, 1976, or the Teachers' Retirement System before June 30, 1976. The contribution rate for ERS Tier III, IV, and V employees is 3% of salary. Tier III and Tier IV employees contribute only during the first 10 years of service. The contribution rate for ERS Tier VI employees is 3% of salary from April 1, 2012 until March 31, 2013; thereafter, the contribution rate will be between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Retirement System.

The total payroll for all employees of the City for fiscal year 2012 was \$198,535,714 of which \$83,191,824 represented payroll costs for employees covered by ERS, \$99,550,029 by PFRS, and \$15,793,861 for nonparticipating employees. Average contribution rates for fiscal year 2012 were 15.0% for ERS and 18.9% for PFRS. All full-time police officers and firefighters are mandatory members.

The total payroll for all employees of the School District for fiscal 2012 was \$318,440,542 of which \$240,849,029 represented payroll costs for employees covered by TRS, \$64,230,531 by ERS, and \$13,360,982 for nonparticipating employees. Average contribution rates for fiscal 2012 were 9.9% for TRS and 16% for ERS. All full-time teachers are mandatory members.

2. Contributions & Liabilities

Contributions payable to the Employees' and Police and Fire Retirement Systems are billed on the basis of salaries paid during the Systems' fiscal year ending March 31, and are made in accordance with funding requirements determined by the actuaries of the Systems.

Payments to the Teachers' Retirement System, which are made in accordance with funding requirements determined by the actuary of the System, are deducted from State Aid payments to the School District. The contributions for salaries paid for the year ended June 30, 2012 will be made in three monthly installments starting in September of 2012.

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

<u>Fiscal Year</u>	<u>Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Total Retirement Systems</u>
2010	6,118	13,400	19,518
2011	9,506	16,402	25,908
2012	12,463	18,798	31,261

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

<u>Fiscal Year</u>	<u>Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Total Retirement Systems</u>
2010	4,997	20,105	25,102
2011	8,308	16,169	24,477
2012	10,296	23,931	34,227

The total unbilled liability for the City and the School District as of June 30, 2012, included in Due to other governments at the fund level, is as follows (000's Omitted):

<u>Fiscal Year</u>	<u>Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Total Retirement Systems</u>
City	\$ 3,679	\$ 8,073	\$ -	\$ 11,752
School District	4,375	-	31,654	36,029
Total	<u>\$ 8,054</u>	<u>\$ 8,073</u>	<u>\$ 31,654</u>	<u>\$ 47,781</u>

The total liability as of June 30, 2012 includes the period of April 1, 2012 - June 30, 2012 for the Employees' and Police and Fire Retirement Systems; and the period July 1, 2011 to June 30, 2012 for the Teachers' Retirement System. These amounts represent a portion of the estimated billings of the New York State retirement systems based on the fiscal year of the plans. It is the policy of the City and the School District to record pension costs on the modified accrual basis for governmental funds. Pension costs of the proprietary funds are recognized on the accrual basis.

The annual report containing financial statements and required supplemental information for the Employees' and the Police and Fire Retirement Systems, may be obtained from the New York State and Local Retirement Systems, Governor Smith State Building, Albany, NY 12244. The annual report for the New York State Teachers' Retirement System may be obtained by writing to 10 Corporate Woods Drive, Albany, NY 12211-2935.

3. Prior Plan

Prior to its participation in the New York State Police and Fire Retirement System, the City had a pension plan that covered firemen, policemen and their widows. It is the policy of the City to provide for payments to the beneficiaries of this plan out of current operations. The City is not required to pay benefits under this plan and the beneficiaries do not have a vested right to benefits. During the year ended June 30, 2012, the City paid approximately \$19,800. On June 30, 2012, there were 2 widows and no retired employees receiving payments under this plan. The pension benefit obligation of this plan is not significant to the City.

E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

To improve cash management, all City disbursements are made from a consolidated account in the general fund. Also, the cash balances of certain capital funds are consolidated to maximize investment return. Both these cash management practices, as well as normal delays in processing interfund transfers and reimbursements, are the main reason 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, 2012 (000's Omitted):

Due To:	Due From:						Total
	General	General Capital	Transportation Capital	Nonmajor Governmental	Internal Service	Proprietary	
General	\$ -	\$ 90,009	\$ 1,325	\$ 1,254	1,414	\$ 2,840	\$ 96,842
General Capital	10,424	-	-	-	-	-	\$ 10,424
Transportation Capital	5,485	-	-	-	-	-	\$ 5,485
Community Development	1,630	-	-	-	-	-	\$ 1,630
Nonmajor governmental	3,412	15	9,685	1,488	-	-	\$ 14,600
Proprietary	2,362	-	-	-	-	-	\$ 2,362
Total	\$ 23,313	\$ 90,024	\$ 11,010	\$ 2,742	\$ 1,414	\$ 2,840	\$ 131,343

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, 2012, which were routine in nature, were as follows (000's Omitted):

Transfer out:	Transfer In:									Total
	General	Debt Service	General Capital	Transportation Capital	Community Development	Nonmajor Governmental capital projects	Nonmajor Governmental Special Revenue	Internal Service	Proprietary	
General	\$ -	\$ -	\$ 36,479	\$ 93	\$ -	\$ 35	\$ 115	\$ 2,255	\$ -	\$ 38,977
Debt Service	3,902	-	-	-	-	-	-	-	-	3,902
General Capital	371	484	-	-	1,050	-	-	-	-	1,905
Transportation Capital	3,065	219	-	-	-	-	-	-	-	3,284
Nonmajor governmental capital projects	-	536	15	-	-	-	-	-	-	551
Nonmajor governmental Special revenue	2,047	-	-	3,814	-	-	1,342	-	1,800	9,003
Water	5,374	-	-	-	-	-	-	-	-	5,374
Total	\$ 14,759	\$ 1,239	\$ 36,494	\$ 3,907	\$ 1,050	\$ 35	\$ 1,457	\$ 2,255	\$ 1,800	\$ 62,996

The City of Rochester, New York

Required Supplemental Information

**THE CITY OF ROCHESTER, NEW YORK
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND ENTERPRISE FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2012(000's Omitted)**

	General Fund		Special Revenue Fund		Enterprise Funds		Total			
	Final	Actual	Final	Actual	Final	Actual	Original	Final	Actual	Variance
REVENUES										
Real property tax	\$ 141,776	\$ 141,844	\$ 6,212	\$ 6,211	\$ 2,330	\$ 2,330	\$ 152,962	\$ 150,318	\$ 150,385	\$ 67
Sales taxes	134,272	135,407	-	-	-	-	128,272	134,272	135,407	1,135
Other taxes	24,707	23,409	-	-	905	679	21,872	25,612	24,088	(1,524)
Charges for services	12,758	19,916	20,649	20,051	73,873	75,188	105,883	107,280	115,155	7,875
Use of money and property	665	602	42	32	144	401	846	851	1,035	184
Interest and penalties	-	-	-	-	1,350	1,468	1,350	1,350	1,468	118
Licenses and permits	2,437	3,157	-	-	-	-	2,699	2,437	3,157	720
Federal aid	8,110	4,665	119	126	-	15	7,223	8,229	4,806	(3,423)
State aid	108,861	103,685	1,283	1,245	-	145	109,008	110,144	105,075	(5,069)
Local sources and other	18,400	17,819	6,827	6,706	-	-	26,395	25,227	24,525	(702)
Total revenues	451,986	450,504	35,132	34,371	78,602	80,226	556,510	565,720	565,101	(619)
EXPENDITURES										
Council and clerk	1,911	1,820	-	-	-	-	1,778	1,911	1,820	91
Administration	7,354	6,950	-	-	-	-	7,048	7,354	6,950	404
Law	1,935	1,626	-	-	-	-	1,782	1,935	1,626	309
Information technology	5,190	4,344	-	-	-	-	5,077	5,190	4,344	846
Finance	4,526	4,301	-	-	5,013	4,961	9,015	9,539	9,262	277
Neighborhood development	12,745	9,027	-	-	940	821	13,322	13,685	9,848	3,837
Environmental services	23,046	20,838	11,488	8,601	44,251	40,478	78,180	78,785	69,917	8,868
Library	-	-	11,007	10,703	-	-	10,713	11,007	10,703	304
Police	81,897	81,488	1,158	1,177	-	17	76,201	83,055	82,682	373
Fire	43,835	43,293	-	-	-	-	40,113	43,835	43,293	542
Emergency communications	13,384	12,372	-	-	-	-	13,269	13,384	12,372	1,012
Recreation and youth services	11,372	10,388	-	-	575	618	10,917	11,947	11,006	941
Undistributed	99,406	97,997	7,424	7,487	11,397	11,859	116,969	118,227	117,343	884
Contingency	1,545	-	-	-	-	-	17,713	1,545	-	1,545
Debt services	20,157	19,906	505	505	11,415	11,414	32,077	32,077	31,825	252
Total expenditures	328,303	314,350	31,582	28,473	73,591	70,168	434,174	433,476	412,991	20,485
Excess of revenues over expenditures	123,683	136,154	3,550	5,898	5,011	10,058	122,336	132,244	152,110	19,866

The City of Rochester, New York

Required Supplemental Information

**THE CITY OF ROCHESTER, NEW YORK
BUDGET AND ACTUAL- GENERAL, CERTAIN SPECIAL REVENUE AND ENTERPRISE FUNDS
NON-GAAP BUDGET BASIS - FOR THE YEAR ENDED JUNE 30, 2012 (000's Omitted)**

(continued)

	General Fund		Special Revenue Fund		Enterprise Funds		Total			
	Final	Actual	Final	Actual	Final	Actual	Original	Final	Actual	Variance
OTHER FINANCING SOURCES (USES)										
Transfers from other funds	\$ 23,769	\$ 14,759	\$ 371	\$ 123	\$ 3,136	\$ 3,010	\$ 23,374	\$ 27,276	\$ 17,892	\$ (9,384)
Transfers (to) other funds	(33,800)	(33,800)	(5,116)	(5,116)	(9,252)	(9,252)	(32,924)	(48,168)	(48,168)	-
Transfers (to) component unit	(119,100)	(119,100)	-	-	-	-	(119,100)	(119,100)	(119,100)	-
Total other financing uses	(129,131)	(138,141)	(4,745)	(4,993)	(6,116)	(6,242)	(128,650)	(139,992)	(149,376)	(9,384)
Appropriation of prior year fund balance	5,448	-	1,195	-	1,105	-	6,314	7,748	-	(7,748)
Deficiency of revenues and other sources over expenditures and other uses-Budget Basis	\$ -	(1,987)	\$ -	905	\$ -	3,816	\$ -	\$ -	2,734	\$ 2,734
Encumbrances included in actual		4,333		226		992			5,551	
Excess (deficiency) of revenues and other sources over expenditures, encumbrances and other uses		2,346		1,131		4,808			8,285	
Expenditures of prior years' encumbrances		466		16		1,642			2,124	
Excess (deficiency) of revenues and other sources over expenditures and other uses		1,880		1,115		3,166			6,161	
Net enterprise capital expense		-		-		(2,998)			(2,998)	
Depreciation expense		-		-		(13,227)			(13,227)	
Debt service cash basis		-		-		8,337			8,337	
Contribution to reserve for capital projects		-		-		9,252			9,252	
Other post employment benefits		-		-		(2,850)			(2,850)	
New York State Retirement cash basis		(3,693)		(92)		(151)			(3,936)	
Capital and debt reimbursement		-		-		(1,054)			(1,054)	
Fund equity - beginning of year (as originally reported)		67,623		6,129		217,966			291,718	
Adjustments (see note I.G.7)						(3,293)			(3,293)	
Net assets-beginning (as adjusted)						214,673			288,425	
Fund equity - end of year		\$ 65,810		\$ 7,152		\$ 215,148			\$ 288,110	

**THE CITY OF ROCHESTER, NEW YORK
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS (OPEB)**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Asset</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2006	April 1, 2006	\$ -	\$ 597,404,243	\$ 597,404,243	0.0%	\$ 179,257,000	333.3%
2007	April 1, 2006	-	655,061,026	655,061,026	0.0%	184,061,700	355.9%
2008	April 1, 2008	-	684,705,511	684,705,511	0.0%	192,175,200	356.3%
2009	April 1, 2008	-	593,923,730	593,923,730	0.0%	194,609,000	305.2%
2010	April 1, 2010	-	619,514,745	619,514,745	0.0%	196,727,000	314.9%
2011	April 1, 2010	-	564,240,853	564,240,853	0.0%	203,514,400	277.2%
2012	July 1, 2011	-	613,194,278	613,194,278	0.0%	198,535,714	308.9%

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

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 59,250,259	\$ 16,975,327	28.65%
2007	64,265,203	18,617,500	28.97%
2008	67,034,864	21,982,618	32.79%
2009	59,935,810	23,289,291	38.86%
2010	62,439,307	18,665,917	29.89%
2011	53,422,069	19,959,895	37.36%
2012	45,686,644	24,896,752	54.49%

Nonmajor Governmental Funds

Capital Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Economic Assistance Fund - This fund accounts for capital investments targeted to promote the City's economic development.

Cultural/Recreation Fund - This fund accounts for capital investments in the City's cultural and recreation facilities, which includes library, and parks and recreation facilities.

Sewer Fund - This fund accounts for capital investments in the City's sewer infrastructure.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

Animal Control - This fund accounts for the revenues and expenditures of the City's Animal Control Center.

Library Fund - This fund accounts for the revenues and expenditures of the City's central library and ten branch libraries.

Local Works Fund – This fund accounts for snow plowing, street cleaning and grass cutting, financed primarily by special assessments.

Federal Projects Fund – This fund accounts for a number of federal grants that provide for City programs.

State Projects Fund - This fund accounts for a number of state grants that provide for City programs.

Other Funds - This fund accounts for funds restricted by City Council for special projects.

Cemetery Fund – This fund is a perpetual care fund consisting of deposits intended to provide for the maintenance of the City's cemeteries. Interest earnings are transferred to the Cemetery Enterprise Fund to partially offset a portion of maintenance costs.

**THE CITY OF ROCHESTER, NEW YORK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012 (000's Omitted)**

	Capital Projects			Animal Control	Library	Local Works	Special Revenue			Cemetery Perpetual	Other	Total Nonmajor Governmental Funds
	Economic Assistance	Cultural/ Recreation	Sewers				Federal Projects	State Projects				
ASSETS												
Cash and cash equivalents	\$ 2,874	\$ 1,439	\$ 506	\$ 545	\$ -	\$ 16,455	\$ 2,144	\$ 7,118	\$ 5,045	\$ 3,869	\$ 39,995	
Receivables (net of allowance of uncollectibles)												
Accounts	-	-	-	-	7	-	-	-	-	-	7	
Taxes	-	-	-	-	-	167	-	-	-	-	167	
Due from other governments	662	12	-	-	2,738	-	520	914	-	-	4,846	
Due from other funds	-	1,488	-	67	9	1,143	-	-	-	35	2,742	
Total assets	\$ 3,536	\$ 2,939	\$ 506	\$ 612	\$ 2,754	\$ 17,765	\$ 2,664	\$ 8,032	\$ 5,045	\$ 3,904	\$ 47,757	
LIABILITIES AND FUND BALANCES												
Liabilities												
Accounts payables and accrued liabilities	\$ 157	\$ 172	\$ -	\$ 50	\$ 645	\$ 228	\$ 307	\$ 490	\$ -	\$ 5	\$ 2,054	
Notes payable	2,260	2,985	225	-	-	-	-	-	-	-	5,470	
Due to other funds	-	-	-	80	2,029	10,504	38	51	-	1,898	14,600	
Due to other governments	-	-	-	26	231	186	-	-	-	-	443	
Total liabilities	2,417	3,157	225	156	2,905	10,918	345	541	-	1,903	22,567	
Fund balances:												
Restricted	-	-	-	-	-	-	2,319	7,491	-	-	9,810	
Committed	1,119	-	281	-	-	-	-	-	5,045	-	6,445	
Assigned	-	-	-	456	-	6,847	-	-	-	2,001	9,304	
Unassigned (deficit)	-	(218)	-	-	(151)	-	-	-	-	-	(369)	
Total fund balances	1,119	(218)	281	456	(151)	6,847	2,319	7,491	5,045	2,001	25,190	
Total liabilities and fund balances	\$ 3,536	\$ 2,939	\$ 506	\$ 612	\$ 2,754	\$ 17,765	\$ 2,664	\$ 8,032	\$ 5,045	\$ 3,904	\$ 47,757	

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, 2012 (000's Omitted)

	Capital Projects			Special Revenue						Total Nonmajor Governmental Funds	
	Economic Assistance	Cultural/ Recreation	Sewers	Animal Control	Library	Local Works	Federal Projects	State Projects	Cemetery Perpetual Care		Other
REVENUES											
Real property tax	\$ -	\$ -	\$ -	\$ 1,279	\$ 4,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,211
Departmental	-	-	-	312	2,164	17,575	-	-	-	-	20,051
Use of money and property	-	-	-	1	-	31	1	14	-	5	52
Federal aid	-	-	-	-	126	-	2,134	1,504	-	-	3,764
State aid	-	-	-	-	1,189	56	399	954	-	-	2,598
Local sources and other	-	-	298	9	6,794	26	293	3	-	1,425	8,848
Total revenues	-	-	298	1,601	15,205	17,688	2,827	2,475	-	1,430	41,524
EXPENDITURES											
Current:											
Neighborhood business development	-	-	-	-	-	-	1,574	414	-	-	1,988
Environmental services	-	-	-	-	-	8,562	-	82	-	-	8,644
Library	-	-	-	-	10,602	-	-	-	-	-	10,602
Police	-	-	-	1,108	-	-	-	851	-	-	1,959
Fire	-	-	-	-	-	-	-	3	-	-	3
Recreation and youth services	-	-	-	-	-	-	1,163	515	-	223	1,901
Transportation	-	-	-	-	-	-	-	-	-	57	57
General Government	-	-	-	433	3,548	3,597	-	-	-	30	7,608
Capital outlay											
Recreation and youth services	-	753	-	-	-	-	-	-	-	-	753
Library	-	755	-	-	-	-	-	-	-	-	755
Neighborhood business development	352	-	-	-	-	-	-	-	-	-	352
Debt service:											
Principal	-	-	-	-	368	-	-	-	-	-	368
Interest	-	-	-	-	82	-	-	-	-	-	82
Total expenditures	352	1,508	-	1,541	14,600	12,159	2,737	1,865	-	310	35,072
Excess (deficiency) of revenues over expenditures	(352)	(1,508)	298	60	605	5,529	90	610	-	1,120	6,452
OTHER FINANCING SOURCES (USES)											
Transfers from other funds	-	1,457	35	-	-	-	-	-	-	-	1,492
Transfers (to) other funds	(471)	(65)	-	(15)	(1,342)	(3,814)	(479)	-	(1,800)	(1,568)	(9,554)
Total other financing sources (uses)	(471)	1,392	35	(15)	(1,342)	(3,814)	(479)	-	(1,800)	(1,568)	(8,062)
Net Change in fund balances	(823)	(116)	333	45	(737)	1,715	(389)	610	(1,800)	(448)	(1,610)
Fund balances - beginning of year	1,942	(102)	(52)	411	586	5,132	2,708	6,881	6,845	2,449	26,800
Fund balances - end of year	\$ 1,119	\$ (218)	\$ 281	\$ 456	\$ (151)	\$ 6,847	\$ 2,319	\$ 7,491	\$ 5,045	\$ 2,001	\$ 25,190

**THE CITY OF ROCHESTER, NEW YORK
 SUPPLEMENTAL STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012 (000's Omitted)**

	Balance			Balance
	June 30, 2011	Additions	Deductions	June 30, 2012
ASSETS				
Cash and cash equivalents	\$ 14,604	\$ 12,567	\$ 11,673	\$ 15,498
Receivables (net of allowance for uncollectibles)	213	371	387	197
Total assets	<u>14,817</u>	<u>12,938</u>	<u>12,060</u>	<u>15,695</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>14,817</u>	<u>12,938</u>	<u>12,060</u>	<u>15,695</u>
Total liabilities	<u>\$ 14,817</u>	<u>\$ 12,938</u>	<u>\$ 12,060</u>	<u>\$ 15,695</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>	73
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	80
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>	84
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>	89
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>	91

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 ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(000's Omitted)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 372,737	\$ 391,222	\$ 421,921	\$ 449,840	\$ 462,204	\$ 441,242	\$ 488,181	\$ 530,636	\$ 591,596	\$ 581,298
Restricted	122,987	124,241	136,012	129,193	95,283	127,030	121,987	122,365	95,632	83,543
Unrestricted	46,656	43,179	41,326	18,451	5,534	(9,910)	(44,890)	(72,804)	(108,146)	(102,121)
Total governmental activities net assets	<u>\$ 542,380</u>	<u>\$ 558,642</u>	<u>\$ 599,259</u>	<u>\$ 597,484</u>	<u>\$ 563,021</u>	<u>\$ 558,362</u>	<u>\$ 565,278</u>	<u>\$ 580,197</u>	<u>\$ 579,082</u>	<u>\$ 562,720</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 157,992	\$ 157,049	\$ 155,974	\$ 144,262	\$ 153,257	\$ 158,705	\$ 170,659	\$ 172,913	\$ 191,986	\$ 183,329
Restricted	14,851	15,871	17,959	31,161	27,778	33,854	27,430	43,136	32,536	21,454
Unrestricted	5,173	3,105	5,649	4,250	2,379	2,105	5,895	(1,803)	(6,556)	10,365
Total business-type activities net assets	<u>\$ 178,016</u>	<u>\$ 176,025</u>	<u>\$ 179,582</u>	<u>\$ 179,673</u>	<u>\$ 183,414</u>	<u>\$ 194,664</u>	<u>\$ 203,984</u>	<u>\$ 214,246</u>	<u>\$ 217,966</u>	<u>\$ 215,148</u>
Primary government										
Invested in capital assets, net of related debt	\$ 530,729	\$ 548,271	\$ 577,895	\$ 594,102	\$ 615,461	\$ 599,947	\$ 658,840	\$ 703,549	\$ 783,582	\$ 764,627
Restricted	137,838	140,112	153,971	160,354	123,061	160,884	149,417	165,501	128,168	104,997
Unrestricted	51,829	46,284	46,975	22,701	7,913	(7,805)	(38,995)	(74,607)	(114,702)	(91,756)
Total primary government net assets	<u>\$ 720,396</u>	<u>\$ 734,667</u>	<u>\$ 778,841</u>	<u>\$ 777,157</u>	<u>\$ 746,435</u>	<u>\$ 753,026</u>	<u>\$ 769,262</u>	<u>\$ 794,443</u>	<u>\$ 797,048</u>	<u>\$ 777,868</u>

Note: Prior years' information not available on accrual basis

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 45,146	\$ 60,241	\$ 46,516	\$ 54,702	\$ 61,690	\$ 75,552	\$ 67,301	\$ 82,702	\$ 95,832	\$ 102,200
Police	76,955	84,091	90,509	111,195	113,896	124,310	123,793	126,085	133,107	128,413
Fire	49,210	51,688	57,330	68,391	69,551	68,041	69,232	69,949	71,028	69,022
Emergency communications	9,834	10,523	11,988	14,437	14,798	15,222	16,416	16,966	17,765	19,281
Transportation	26,265	24,937	27,618	31,630	31,244	25,468	23,380	21,312	14,946	8,098
Environmental services	18,496	20,376	21,204	21,768	26,268	31,904	33,166	34,574	43,954	36,819
Recreation & youth services	18,958	18,516	20,815	21,754	24,886	15,406	20,311	10,355	17,743	18,225
Library	11,356	11,148	10,795	12,121	12,419	12,324	12,387	12,723	12,161	13,143
Neighborhood business development	43,275	30,039	29,907	35,265	34,423	33,595	34,379	38,726	41,930	34,908
Interest on long-term debt	4,162	3,921	4,041	4,500	8,060	6,049	3,872	3,644	3,445	3,071
Education	126,100	126,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100
Ferry	-	-	-	-	21,259	-	-	-	-	-
Total governmental activities expenses	429,757	441,580	439,823	494,863	537,594	526,971	523,337	536,136	571,011	552,280
Business-type activities expenses										
Water	23,583	24,950	25,654	28,797	28,571	28,505	27,632	28,499	31,089	31,960
War memorial	3,426	3,455	3,209	3,337	3,219	3,005	2,992	2,821	2,757	2,590
Parking	6,821	6,450	5,611	6,155	5,443	6,343	5,163	7,634	7,195	11,463
Cemetery	2,060	2,285	2,252	2,516	2,075	1,953	1,789	2,398	1,770	2,118
Public market	672	618	765	754	825	922	1,276	555	1,054	1,557
Refuse	20,322	23,424	22,252	23,685	22,682	22,496	24,602	24,800	26,603	26,637
Port of Rochester	8	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	56,892	61,182	59,743	65,244	62,815	63,224	63,454	66,707	70,468	76,325
Total primary government expenses	\$ 486,649	\$ 502,762	\$ 499,566	\$ 560,107	\$ 600,409	\$ 590,195	\$ 586,791	\$ 602,843	\$ 641,479	\$ 628,605
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,400	\$ 7,248	\$ 7,992	\$ 8,372	\$ 8,968	\$ 10,222	\$ 10,987	\$ 13,121	\$ 15,681	\$ 10,500
Police	6,275	6,829	6,473	7,102	6,677	7,560	8,062	8,234	6,989	9,084
Fire	1,057	888	1,100	1,006	764	1,195	887	809	843	1,268
Emergency communications	9,290	9,902	11,074	10,789	11,011	12,353	13,113	13,345	15,896	14,473
Transportation	759	844	818	828	915	820	386	942	975	970
Environmental services	16,446	16,989	18,640	17,294	19,719	20,969	21,713	20,663	22,959	18,511
Recreation & youth services	2,136	2,117	2,067	2,005	2,201	2,228	3,322	2,280	1,864	1,589
Library	2,536	2,207	2,365	2,579	2,778	2,456	2,933	3,112	3,202	2,603
Neighborhood business development	2,913	3,623	3,624	4,294	4,013	5,637	3,491	4,720	4,090	4,529
Operating grants and contributions	44,557	35,116	34,382	41,140	40,208	37,290	33,162	37,669	37,318	31,754
Capital grants and contributions	16,204	24,035	15,992	19,452	11,452	11,366	15,984	20,851	45,201	23,008
Total governmental activities program revenues	109,573	109,798	104,527	114,861	108,706	112,096	114,040	125,746	155,018	118,289

Continued

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

Continued

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Water	\$ 29,658	\$ 31,603	\$ 32,513	\$ 33,641	\$ 33,531	\$ 34,241	\$ 33,018	\$ 32,995	\$ 34,538	\$ 35,988
War memorial	1,389	1,595	1,515	1,541	1,442	1,460	1,781	1,452	1,406	1,571
Parking	4,987	4,156	4,108	3,835	3,892	2,879	3,139	4,437	9,040	9,805
Cemetery	1,522	1,573	1,665	1,399	1,195	1,147	1,117	1,062	1,232	1,370
Public market	498	533	543	575	608	642	675	749	716	730
Refuse	20,519	20,589	22,506	23,436	24,804	25,110	24,817	24,452	26,001	25,724
Port of Rochester	7	2	-	-	-	-	-	-	-	-
Capital grants and contributions	18	-	-	-	-	511	4,994	905	1,754	-
Total business-type activities program revenues	58,598	60,051	62,850	64,427	65,472	65,990	69,541	66,052	74,687	75,188
Total primary government program revenues	\$ 168,171	\$ 169,849	\$ 167,377	\$ 179,288	\$ 174,178	\$ 178,086	\$ 183,581	\$ 191,798	\$ 229,705	\$ 193,477
Net (expense)/revenue										
Governmental activities	\$ (320,184)	\$ (331,782)	\$ (335,296)	\$ (380,002)	\$ (428,888)	\$ (414,875)	\$ (409,297)	\$ (410,390)	\$ (415,993)	\$ (433,991)
Business-type activities	1,706	(1,131)	3,107	(817)	2,657	2,766	6,087	(655)	4,219	(1,137)
Total primary government net expense	\$ (318,478)	\$ (332,913)	\$ (332,189)	\$ (380,819)	\$ (426,231)	\$ (412,109)	\$ (403,210)	\$ (411,045)	\$ (411,774)	\$ (435,128)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 125,895	\$ 130,602	\$ 131,917	\$ 137,278	\$ 139,276	\$ 136,921	\$ 141,531	\$ 141,319	\$ 146,544	\$ 146,698
Sales taxes	111,442	115,501	118,000	122,240	120,518	130,865	122,077	123,392	129,467	135,941
Payment in-lieu of tax	-	-	-	-	-	-	-	10,903	11,068	10,755
Other taxes	31,717	30,874	28,007	26,893	28,860	28,725	25,711	13,251	13,897	12,654
Governmental aid - (unrestricted)	61,699	62,097	77,604	79,149	91,402	105,188	131,431	108,437	106,069	104,323
Investment earnings	2,292	2,087	3,126	5,971	8,124	7,143	3,228	2,938	781	1,499
Miscellaneous	2,223	1,599	4,272	2,019	1,566	2,290	2,330	1,492	1,519	2,062
Transfers	4,678	5,284	4,427	4,677	4,679	(916)	4,593	11,441	5,533	3,697
Total governmental activities	339,946	348,044	367,353	378,227	394,425	410,216	430,901	413,173	414,878	417,629
Business-type activities:										
Taxes										
Property taxes	1,410	1,895	2,024	2,024	2,658	3,876	3,379	5,557	2,142	2,330
Other taxes	844	933	985	905	905	905	1,131	905	1,131	679
Governmental aid	117	31	34	-	18	125	1,133	157	11	160
Investment earnings	315	242	426	1,257	737	1,180	711	793	308	401
Miscellaneous	1,168	1,323	1,408	1,399	1,445	1,482	1,472	1,480	1,442	1,616
Gain on Sale of land	-	-	-	-	-	-	-	13,466	-	-
Transfers	(4,678)	(5,284)	(4,427)	(4,677)	(4,679)	916	(4,593)	(11,441)	(5,533)	(3,574)
Total business-type activities	(824)	(860)	450	908	1,084	8,484	3,233	10,917	(499)	1,612
Total primary government	\$ 339,122	\$ 347,184	\$ 367,803	\$ 379,135	\$ 395,509	\$ 418,700	\$ 434,134	\$ 424,090	\$ 414,379	\$ 419,241
Change in Net Assets										
Governmental activities	\$ 19,762	\$ 16,262	\$ 32,057	\$ (1,775)	\$ (34,463)	\$ (4,659)	\$ 21,604	\$ 2,783	\$ (1,115)	\$ (16,362)
Business-type activities	882	(1,991)	3,557	91	3,741	11,250	9,320	10,262	3,720	475
Total primary government	\$ 20,644	\$ 14,271	\$ 35,614	\$ (1,684)	\$ (30,722)	\$ 6,591	\$ 30,924	\$ 13,045	\$ 2,605	\$ (15,887)

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property tax	\$ 127,305	\$ 132,497	\$ 133,941	\$ 139,302	\$ 141,934	\$ 140,797	\$ 144,910	\$ 146,876	\$ 148,686	\$ 149,028
Sales tax	111,442	115,501	118,000	122,240	120,518	130,865	122,077	123,392	129,467	135,941
Payment in-lieu of tax	-	-	-	-	-	-	-	10,903	11,068	10,755
Other taxes	<u>32,561</u>	<u>31,807</u>	<u>28,992</u>	<u>27,798</u>	<u>29,765</u>	<u>29,630</u>	<u>26,842</u>	<u>14,156</u>	<u>15,028</u>	<u>13,333</u>
Total taxes	<u>\$ 271,308</u>	<u>\$ 279,805</u>	<u>\$ 280,933</u>	<u>\$ 289,340</u>	<u>\$ 292,217</u>	<u>\$ 301,292</u>	<u>\$ 293,829</u>	<u>\$ 295,327</u>	<u>\$ 304,249</u>	<u>\$ 309,057</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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ 10,098	\$ 10,412	\$ 10,938	\$ 11,726	\$ 13,435	\$ 20,283	\$ 21,033	\$ 20,679	\$ -	\$ -
Unreserved	7,361	7,605	7,819	8,002	8,244	8,376	8,526	13,291	-	-
Nonspendable	-	-	-	-	-	-	-	-	6,248	6,641
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	40,457	38,623
Assigned	-	-	-	-	-	-	-	-	15,998	15,686
Unassigned	-	-	-	-	-	-	-	-	4,920	4,860
Unallocated	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>17,459</u>	<u>18,017</u>	<u>18,757</u>	<u>19,728</u>	<u>21,679</u>	<u>28,659</u>	<u>29,559</u>	<u>33,970</u>	<u>67,623</u>	<u>65,810</u>
All other governmental funds										
Reserved	102,013	92,542	117,199	88,082	119,321	122,450	133,568	137,407	-	-
Unreserved, designated for subsequent yr's expenditures	-	-	-	-	577	661	2,028	462	-	-
Unreserved, reported in:										
Special revenue funds	9,106	6,647	1,908	10,209	5,124	3,070	3,987	7,119	-	-
Capital projects funds	(35,594)	(3,519)	(28,106)	24,746	20,226	14,641	(1,260)	15,631	-	-
Permanent funds	5,536	5,684	5,860	6,050	6,360	6,484	6,621	6,744	-	-
Nonspendable, reported in:										
Other governmental funds	-	-	-	-	-	-	-	-	6,845	-
Restricted, reported in:										
Debt service funds	-	-	-	-	-	-	-	-	6,216	4,037
Capital projects funds	-	-	-	-	-	-	-	-	453	-
Special revenue funds	-	-	-	-	-	-	-	-	4,870	3,655
Other governmental funds	-	-	-	-	-	-	-	-	9,589	9,810
Committed, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	60,095	63,185
Special revenue funds	-	-	-	-	-	-	-	-	5	1,057
Other governmental funds	-	-	-	-	-	-	-	-	1,942	6,445
Assigned, reported in:										
Debt service funds	-	-	-	-	-	-	-	-	13,484	13,716
Capital projects funds	-	-	-	-	-	-	-	-	1,877	581
Other governmental funds	-	-	-	-	-	-	-	-	8,473	9,304
Unassigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	(8,959)
Other governmental funds	-	-	-	-	-	-	-	-	-	(369)
Total all other governmental funds	<u>81,061</u>	<u>101,354</u>	<u>96,861</u>	<u>129,087</u>	<u>151,608</u>	<u>147,306</u>	<u>144,944</u>	<u>167,363</u>	<u>113,849</u>	<u>102,462</u>
Total all governmental funds	<u>\$ 98,520</u>	<u>\$ 119,371</u>	<u>\$ 115,618</u>	<u>\$ 148,815</u>	<u>\$ 173,287</u>	<u>\$ 175,965</u>	<u>\$ 174,503</u>	<u>\$ 201,333</u>	<u>\$ 181,472</u>	<u>\$ 168,272</u>

Note: Comparative prior years' information not available for all non-general funds prior to implementation of GASB 34 in 2001.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Real property tax	\$ 124,861	\$ 129,517	\$ 131,724	\$ 135,751	\$ 138,081	\$ 135,851	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055
Sales tax	144,022	147,213	147,468	149,934	150,620	159,940	149,616	123,338	128,995	135,407
Other taxes	-	-	-	-	-	-	-	24,983	24,965	23,409
Departmental	33,556	34,788	36,478	36,408	39,498	43,404	43,530	46,105	47,937	39,967
Use of money and property	2,974	2,536	3,633	6,840	9,139	7,896	4,254	3,316	872	1,264
Licenses and permits	1,569	2,069	2,269	2,636	2,289	2,676	2,384	2,693	2,785	3,157
Federal aid	34,842	40,512	32,379	39,925	33,671	27,514	26,132	33,934	47,968	33,442
State aid	76,509	69,512	85,001	86,796	97,714	111,542	143,471	123,231	133,325	117,404
Local sources and other	25,546	25,310	28,868	28,103	26,388	32,677	29,587	28,597	30,220	31,127
Ferry	-	-	-	-	19,287	-	-	-	-	-
Total revenues	<u>443,879</u>	<u>451,457</u>	<u>467,820</u>	<u>486,393</u>	<u>516,687</u>	<u>521,500</u>	<u>543,568</u>	<u>527,643</u>	<u>561,460</u>	<u>533,232</u>
Expenditures										
Council and clerk	1,330	1,431	1,478	1,462	1,634	1,698	1,674	1,726	-	-
Administration	9,243	9,349	9,043	9,492	10,062	11,201	11,047	8,660	-	-
Law	1,653	1,763	1,816	1,752	1,743	1,865	1,898	1,757	-	-
Information technology	-	-	-	-	-	4,021	3,579	3,786	-	-
Finance	6,806	7,228	7,198	7,449	7,607	5,131	5,180	4,066	-	-
Neighborhood business development	38,926	25,539	21,911	28,195	27,015	26,527	21,600	33,971	33,678	29,833
Economic development	1,536	1,655	1,482	1,530	1,560	1,226	1,545	-	-	-
Environmental services	30,531	29,373	29,670	28,987	32,306	34,191	36,082	35,844	30,272	23,213
Library	10,448	10,267	9,894	10,099	10,316	10,361	10,687	11,029	11,220	10,602
Police	59,417	62,983	63,202	67,272	69,471	78,057	77,775	78,253	84,121	83,279
Fire	37,288	37,734	39,316	40,300	40,909	41,231	42,412	42,297	42,594	42,655
Emergency communications	7,651	7,881	8,360	8,682	8,943	9,419	10,189	10,493	11,194	12,164
Recreation & youth services	14,439	16,375	16,031	16,690	15,961	13,971	12,967	9,264	11,833	11,581
Undistributed	50,127	60,193	77,583	83,520	82,340	83,619	89,894	89,924	-	-
Education (Allocation to school district)	126,100	126,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100	119,100
Capital projects	47,788	52,344	47,769	54,165	43,907	57,219	58,057	72,363	-	-
Debt service:										
Principal retirement	14,139	12,849	14,819	12,512	15,877	34,069	37,620	15,125	16,149	14,269
Interest	4,458	3,733	4,082	3,919	7,822	6,629	4,476	3,184	3,850	3,138
Administrative charges	-	-	-	-	-	-	-	-	204	27
General government	-	-	-	-	-	-	-	-	118,204	124,998
Transportation	-	-	-	-	-	-	-	-	5,814	5,438
Capital outlay:										
General government	-	-	-	-	-	-	-	-	71,601	44,599
Transportation	-	-	-	-	-	-	-	-	14,193	19,474
Recreation & youth services	-	-	-	-	-	-	-	-	3,530	753
Environmental services	-	-	-	-	-	-	-	-	-	1,471
Library	-	-	-	-	-	-	-	-	1,717	755
Neighborhood business development	-	-	-	-	-	-	-	-	659	352
Total expenditures	<u>461,880</u>	<u>466,797</u>	<u>472,754</u>	<u>495,126</u>	<u>496,573</u>	<u>539,535</u>	<u>545,782</u>	<u>540,842</u>	<u>579,933</u>	<u>547,701</u>
Excess of revenues over (under) expenditures	(18,001)	(15,340)	(4,934)	(8,733)	20,114	(18,035)	(2,214)	(13,199)	(18,473)	(14,469)
Other financing sources (uses)										
Transfers in	57,531	59,029	63,068	65,932	61,804	80,600	88,831	81,231	84,914	58,941
Transfers out	(54,088)	(57,802)	(61,887)	(66,538)	(57,446)	(84,400)	(88,079)	(71,164)	(88,118)	(57,623)
Proceeds of general obligation debt (capital projects)	-	34,964	-	42,536	-	24,513	-	29,962	1,767	-
Total other financing sources (uses)	<u>3,443</u>	<u>36,191</u>	<u>1,181</u>	<u>41,930</u>	<u>4,358</u>	<u>20,713</u>	<u>752</u>	<u>40,029</u>	<u>(1,437)</u>	<u>1,318</u>
Net change in fund balances	<u>\$ (14,558)</u>	<u>\$ 20,851</u>	<u>\$ (3,753)</u>	<u>\$ 33,197</u>	<u>\$ 24,472</u>	<u>\$ 2,678</u>	<u>\$ (1,462)</u>	<u>\$ 26,830</u>	<u>\$ (19,910)</u>	<u>\$ (13,151)</u>
Debt service as a percentage of noncapital expenditures	4.49%	4.00%	4.45%	3.73%	5.24%	8.44%	8.63%	3.72%	3.79%	3.48%

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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property tax	\$ 142,861	\$ 129,517	\$ 131,724	\$ 135,751	\$ 138,081	\$ 135,851	\$ 144,594	\$ 141,446	\$ 144,393	\$ 148,055
Sales tax	144,022	147,213	147,468	149,934	150,620	159,940	149,616	123,338	128,995	135,407
Other taxes	-	-	-	-	-	-	-	24,983	24,965	23,409
Total taxes	<u>\$ 286,883</u>	<u>\$ 276,730</u>	<u>\$ 279,192</u>	<u>\$ 285,685</u>	<u>\$ 288,701</u>	<u>\$ 295,791</u>	<u>\$ 294,210</u>	<u>\$ 289,767</u>	<u>\$ 298,353</u>	<u>\$ 306,871</u>

Sales tax included other taxes up through 2009

THE CITY OF ROCHESTER, NEW YORK
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY
 LAST TEN FISCAL YEARS
 (000's Omitted)

Fiscal Year	Assessed Value Municipal Purposes	Veterans Exemption (1)	Assessed Value School Purposes	Estimated Actual Value Municipal Purposes	Estimated Actual Value School Purposes	Assessed Value as a Percentage of Actual Value (2)	Total Direct Rate Applied to Base	Total Direct Homestead Rate Per Thousand	Total Direct Nonhomestead Rate Per Thousand
2003	4,717,404	64,714	4,782,118	4,674,400	4,738,368	100.92%	3.02%	20.52	44.04
2004	4,674,521	60,813	4,735,334	5,003,769	5,068,865	93.42%	3.17%	21.16	46.94
2005	5,042,828	62,979	5,105,807	5,140,497	5,204,696	98.10%	2.97%	20.12	44.32
2006	5,057,648	60,016	5,117,664	5,127,900	5,188,750	98.63%	3.04%	20.99	44.79
2007	5,094,593	56,887	5,151,480	5,586,177	5,648,553	91.20%	3.08%	21.18	45.18
2008	5,135,078	54,377	5,189,455	5,738,800	5,787,282	89.67%	3.05%	21.72	43.54
2009	5,690,818	56,782	5,747,600	5,750,624	5,795,704	99.17%	2.86%	20.57	40.67
2010	5,723,157	54,217	5,777,374	5,951,702	5,836,892	98.98%	2.85%	19.61	41.69
2011	5,729,225	50,683	5,779,908	6,115,740	5,969,595	96.82%	2.86%	19.50	42.23
2012	5,734,433	50,907	5,785,340	6,055,367	6,103,042	94.79%	2.91%	20.04	42.79

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)	
2003 Homestead	6.33	14.19	20.52	9.93	30.45
2003 Nonhomestead	13.38	30.66	44.04	9.93	53.97
2004 Homestead	6.52	14.64	21.16	10.96	32.12
2004 Nonhomestead	14.26	32.68	46.94	10.96	57.90
2005 Homestead	6.34	13.78	20.12	11.01	31.13
2005 Nonhomestead	13.77	30.55	44.32	11.01	55.33
2006 Homestead	6.61	14.38	20.99	10.94	31.93
2006 Nonhomestead	13.92	30.87	44.79	10.94	55.73
2007 Homestead	6.66	14.52	21.18	9.62	30.80
2007 Nonhomestead	14.04	31.14	45.18	9.62	54.80
2008 Homestead	6.83	14.89	21.72	9.97	31.69
2008 Nonhomestead	13.53	30.01	43.54	9.97	53.51
2009 Homestead	5.59	14.98	20.57	9.20	29.77
2009 Nonhomestead	10.93	29.74	40.67	9.20	49.87
2010 Homestead	5.33	14.28	19.61	9.20	28.81
2010 Nonhomestead	11.21	30.48	41.69	9.20	50.89
2011 Homestead	5.39	14.11	19.50	9.16	28.66
2011 Nonhomestead	11.54	30.69	42.23	9.16	51.39
2012 Homestead	5.82	14.22	20.04	9.19	29.23
2012 Nonhomestead	12.30	30.49	42.79	9.19	51.98

(1) Source: Monroe County Treasury

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

THE CITY OF ROCHESTER, NEW YORK
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT FISCAL YEAR AND NINE YEARS PRIOR
 JUNE 30, 2012
 (000's Omitted)

	2012			2003		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		Value
Rochester Gas and Electric	\$ 604,581	1	10.54%	\$ 374,787	1	7.96%
Frontier Telephone Corp.	75,953	2	1.32%	58,810	3	1.25%
Eastman Kodak Co.	70,915	3	1.24%	122,554	2	2.60%
Buckingham Properties	35,733	4	0.62%	-	-	-
CSX (Conrail)	23,228	5	0.41%	26,861	4	0.57%
Maguire Family Properties	19,818	6	0.35%	13,774	10	0.29%
JP Morgan/Chase (Chase Manhattan)	18,621	7	0.32%	21,851	6	0.46%
NK-TCC Property, LLC	16,296	8	0.28%	-	-	-
Landsman Development Corp.	15,216	9	0.27%	-	-	-
AP/AIM Rochester Hotel, LLC	14,800	10	0.26%	-	-	-
Pioneer/City Center	-	-	-	23,000	5	0.49%
Max M. Farash (Farash,Jalynn,Brighton Dev.)	-	-	-	17,590	9	0.37%
Xerox	-	-	-	19,250	8	0.41%
Samloff/Glazer	-	-	-	21,495	7	0.46%
Totals	<u>\$ 895,161</u>		<u>15.61%</u>	<u>\$ 699,972</u>		<u>14.86%</u>

Note:

- 1) The total taxable assessed value of \$5,734,432,885 was used for fiscal year 2011-12 taxes.
- 2) The total taxable assessed value of \$4,709,170,367 was used for fiscal year 2002-03 taxes.

Source: Assessment Roll of the City of Rochester

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Cancellations and/or Adjustments to Tax Levy (3)	Outstanding Delinquent Taxes (Cumulative)	Percentage of Outstanding Delinquent Taxes to Total Tax
		Amount	Percentage of Levy		Amount (2)	Percentage of Levy			
2003	166,991	152,270	91.18%	10,077	162,347	97.22%	4,171	23,507	14.08%
2004	173,145	158,479	91.53%	10,577	169,056	97.64%	5,465	22,968	13.27%
2005	178,380	163,293	91.54%	9,528	172,821	96.88%	4,742	23,004	12.90%
2006	184,086	168,297	91.42%	10,390	178,687	97.07%	5,009	24,102	13.09%
2007	189,822	174,245	91.79%	10,206	184,451	97.17%	3,469	25,882	13.63%
2008	190,298	174,902	91.91%	8,748	183,650	96.51%	2,832	28,448	14.95%
2009	196,088	181,218	92.42%	7,852	189,070	96.42%	4,220	20,890	10.65%
2010	197,219	182,281	92.43%	8,953	182,281	92.43%	1,182	21,084	10.69%
2011	201,211	185,325	92.10%	8,941	185,325	92.10%	5,833	17,189	8.54%
2012	205,558	189,505	92.19%	N/A	189,505	92.19%	1,940	17,492	8.51%

Notes:

- (1) Tax exempt properties with an assessed value of \$458,357,850 made payments in lieu of taxes amounting to \$10,189,682 for the fiscal year ending June 30, 2012. If these properties had been fully taxable, total revenues would have increased by \$8,217,383. The properties, upon expiration of their agreements will become fully taxable.
- (2) The City begins foreclosure action on properties after taxes are past due for one year. The City provides tax installment agreements of up to five years to taxpayers demonstrating financial hardship if the property is in compliance with City codes.
- (3) Cancellations are chiefly the result of foreclosure by the City and adjustments made for erroneous assessments.

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

Fiscal Year	Government Activities		Business-Type Activities		Bond Proceeds for Note Redemption	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Bond Anticipation Notes	General Obligation Bonds	Bond Anticipation Notes				
2003	42,942	54,452	67,488	13,339	-	178,221	2.55%	835
2004	66,260	82,043	70,104	6,378	(47,000)	177,785	2.43%	839
2005	52,694	49,987	62,672	11,625	-	176,978	2.36%	844
2006	84,025	58,853	66,223	21,781	(41,800)	189,082	2.42%	909
2007	69,538	27,586	59,402	24,750	-	181,276	2.21%	877
2008	80,992	57,712	76,805	7,954	(39,220)	184,243	2.11%	890
2009	65,928	46,087	69,611	9,979	-	191,605	2.28%	925
2010	82,246	24,810	70,531	13,048	-	190,635	2.15%	905
2011	67,864	37,857	63,367	20,487	-	189,575	N/A	899
2012	53,595	50,453	56,065	33,940	-	194,053	N/A	N/A

Note:

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

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

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

Fiscal Year	Total Primary Government General Obligation Debt	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita (1)
2003	178,221	62,520	115,701	2.45%	542
2004	224,785	61,354	163,431	3.50%	771
2005	176,978	57,222	119,756	2.37%	571
2006	230,882	51,799	179,083	3.54%	861
2007	181,277	78,666	102,611	2.01%	496
2008	223,463	72,086	151,377	2.95%	732
2009	191,605	63,856	127,749	2.24%	617
2010	190,635	64,352	126,283	2.21%	609
2011	189,605	27,232	162,373	2.83%	771
2012	194,053	23,554	170,499	2.97%	808

Notes:

1) Population figures for 2003 - 2011 are from US Census Bureau www.quickfacts.census.gov, current year data unavailable.
2011 population used for 2012.

**THE CITY OF ROCHESTER, NEW YORK
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2012
(000's Omitted)**

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Rochester	Amount Applicable to City of Rochester
City of Rochester	\$ 104,048	100.00%	\$ 104,048
County of Monroe (1)	<u>471,948</u>	14.65%	<u>69,140</u>
Total	<u>\$ 575,996</u>		<u>\$ 173,188</u>

(1) Source: County of Monroe Finance Department

Note:

1) At June 30, 2012, the County of Monroe had outstanding aggregate bonds and bond anticipation notes of \$471,948,202. The ratio of the full valuation of taxable property of the entire County was 14.65% at such date. Consequently, applying such ratio, the portion of County bonds and bond anticipation notes attributable to the City was \$69,140,412 which, added to the City bonds and bond anticipation notes outstanding, results in an overall long-term debt burden of \$436,910,811.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 420,086	\$ 431,025	\$ 450,269	\$ 461,655	\$ 469,406	\$ 515,947	\$ 522,808	\$ 522,785	\$ 529,676	\$ 530,872
Total net debt applicable to limit	<u>301,442</u>	<u>308,620</u>	<u>304,616</u>	<u>316,237</u>	<u>313,025</u>	<u>328,185</u>	<u>350,662</u>	<u>338,141</u>	<u>320,038</u>	<u>311,105</u>
Legal debt margin	<u>\$ 118,644</u>	<u>\$ 122,405</u>	<u>\$ 145,653</u>	<u>\$ 145,418</u>	<u>\$ 156,381</u>	<u>\$ 187,762</u>	<u>\$ 172,146</u>	<u>\$ 184,644</u>	<u>\$ 209,638</u>	<u>\$ 219,767</u>
Total net debt applicable to the limit as a percentage of debt limit	71.76%	71.60%	67.65%	68.50%	66.69%	63.61%	67.07%	64.68%	60.42%	58.60%

Legal Debt Margin Calculation for Fiscal Year 2012

Indebtedness		
Borrowings (Bonds and Notes)	\$ 367,770 (1)	
Contract liabilities	- (2)	\$ 367,770
Deductions and Exclusions		
Water Bonds and Notes	54,615 (3)	
Sanitary Sewer Bonds and Notes	- (3)	
Appropriation	- (4)	
Cash and cash equivalents	<u>2,050 (5)</u>	<u>56,665</u>
Net indebtedness		311,105
Debt limit (9% of five-year average full valuation)		<u>530,872</u>
Debt Contracting Margin		<u>\$ 219,767</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**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population (1)	213,440	211,894	209,662	208,123	206,759	206,886	207,294	210,565	210,855	210,855
Total Personal Income Monroe County (2)	\$ 24,318,524	\$ 25,561,752	\$ 26,432,592	\$ 27,756,375	\$ 29,338,061	\$ 31,200,177	\$ 30,153,246	31,336,252	N/A	N/A
Per Capita Personal Income Monroe County (2)	\$ 32,789	\$ 34,493	\$ 35,792	\$ 37,594	\$ 39,686	\$ 42,104	\$ 40,562	42,083	N/A	N/A
School District Enrollment (3)	34,526	33,832	33,055	33,380	32,586	32,717	32,132	31,511	31,247	30,169
Unemployment Rate (4)	7.2%	6.9%	6.0%	5.9%	5.9%	7.3%	10.3%	10.7%	10.4%	11.1%
Employed (4)	89,900	89,800	90,300	88,800	88,100	87,600	84,800	84,000	83,600	84,200

Source:

- 1) 2003 - 2011 figures from US Census Bureau (www.factfinder.census.org). Current year data unavailable, 2011 population used for 2012.
- 2) US Dept. of Commerce Bureau of Economic Analysis (www.bea.gov).
- 3) Rochester City School District (www.rcsdk12.org).
- 4) www.labor.state.ny.us (Average rates computed through September 2012) for City of Rochester.

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

	2012			2003		
	Employees		Percentage	Employees		Percentage
	(1)	Rank	of Total Employment (2)	(1)	Rank	of Total Employment (2)
University of Rochester/Strong Memorial Hospital	19,987	1	3.91%	13,000	2	2.43%
Wegmans Food Markets Inc.	14,240	2	2.79%	5,647	4	1.06%
Rochester General Health System (ViaHealth)	7,514	3	1.47%	4,404	5	0.82%
Eastman Kodak Company	7,100	4	1.39%	22,000	1	4.12%
Xerox Corporation	6,672	5	1.31%	10,050	3	1.88%
Unity Health System	5,302	6	1.04%	2,931	7	0.55%
Lifetime Healthcare Cos. Inc.	3,646	7	0.71%	2,932	6	0.55%
Paychex	3,577	8	0.70%	-	-	-
Rochester Institute of Technology	3,268	9	0.64%	2,712	8	0.51%
YMCA of Greater Rochester	2,757	10	0.54%	-	-	-
Delphi Corporation	-	-	-	2,500	9	0.47%
Frontier Communications	-	-	-	2,300	10	0.43%

(1) Source: Rochester Business Journal The Lists - 2012 Edition.

(2) Employment source: www.labor.state.ny.us employment data as of 12/31/11

Includes Monroe, Genesee, Livingston, Ontario, Orleans and Wayne counties.

THE CITY OF ROCHESTER, NEW YORK
BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Council and Clerk	27.3	27.2	27.2	27.2	27.2	27.2	27.2	26.7	26.7	25.7
Administration	200.4	200.9	191.1	188.8	184.3	218.8	208.3	138.9	136.1	92.5
Information Technology	-	-	-	-	-	54.0	43.6	47.6	48.5	49.5
Finance	140.3	142.2	138.3	138.8	138.6	97.4	94.4	107.0	106.4	95.9
Neighborhood & Business Development (1)	-	-	-	-	-	-	-	154.5	153.2	140.0
Community Development	102.2	100.7	98.5	97.9	96.6	94.7	90.8	-	-	-
Economic Development	27.2	26.2	25.7	24.7	22.8	21.9	20.8	-	-	-
Environmental Services	758.5	749.4	733.3	731.3	736.2	738.7	728.2	716.1	712.6	684.7
Emergency Communications	182.7	181.6	182.9	186.4	187.6	192.6	192.6	198.6	196.7	234.8
Police	922.6	915.0	912.1	909.1	923.8	984.1	989.5	958.9	963.3	930.7
Fire	578.1	569.6	568.3	565.5	562.5	554.2	537.9	534.9	525.2	513.4
Library	219.4	192.4	182.0	178.3	172.9	172.9	169.7	166.6	168.4	154.3
Recreation & Youth Services	313.5	301.3	295.2	295.4	277.4	199.3	195.4	194.8	192.4	198.9
Total	<u>3,472.2</u>	<u>3,406.5</u>	<u>3,354.6</u>	<u>3,343.4</u>	<u>3,329.9</u>	<u>3,355.8</u>	<u>3,298.4</u>	<u>3,244.6</u>	<u>3,229.5</u>	<u>3,120.4</u>
Full-time Employees										
Last Ten Fiscal Years										
City	3,100	3,054	3,003	2,984	2,963	2,963	2,893	2,840	2,801	2,719
School District	6,068	6,013	5,864	5,825	6,099	6,073	6,296	6,053	5,640	5,816
Total	<u>9,168</u>	<u>9,067</u>	<u>8,867</u>	<u>8,809</u>	<u>9,062</u>	<u>9,036</u>	<u>9,189</u>	<u>8,893</u>	<u>8,441</u>	<u>8,535</u>

Note:

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Estimated 2012
Emergency Communications										
Calls received	1,148,108	1,127,659	1,148,793	1,210,515	1,104,893	1,092,231	1,060,971	1,050,971	1,111,802	1,115,000
Police										
Calls for service	455,290	424,851	461,855	406,141	413,820	465,268	395,883	416,876	424,901	426,103
Reported crimes	38,543	39,344	38,212	30,404	47,369	30,907	41,593	44,296	42,504	43,393
Fire										
Unit responses	45,257	45,765	45,003	46,652	52,548	53,226	53,226	47,539	49,107	45,225
Refuse										
Residential accounts	52,766	52,673	52,476	53,015	52,690	52,560	52,337	52,340	52,408	52,030
Commercial accounts	2,730	2,660	2,638	2,641	2,625	2,650	2,672	2,663	2,478	2,416
Total tonnage	117,277	120,939	116,054	113,636	109,835	109,258	106,687	104,282	106,500	113,727
Residential cost per ton	\$101.33	\$101.93	\$105.14	\$100.50	\$108.59	N/A	N/A	N/A	N/A	N/A
Commercial cost per ton	\$154.11	\$157.69	\$151.81	\$168.77	\$169.31	N/A	N/A	N/A	N/A	N/A
Water										
Millions of gallons per day:										
Filtration plant production	35.64	37.35	34.50	35.58	38.46	36.35	37.29	37.00	36.50	35.00
City water demand	33.71	32.15	30.15	29.59	30.55	30.44	28.90	27.86	28.32	27.33
Library										
Total circulation	1,680,872	1,667,529	1,626,157	1,298,760	1,315,811	1,436,450	1,474,828	1,540,559	1,559,881	1,403,642
Parking										
Total parking spaces	12,589	11,948	11,953	11,743	11,637	11,165	8,926	11,008	10,887	10,642
Annual car counts	2,918,164	2,993,264	2,902,784	2,929,728	2,396,205	2,671,826	2,667,998	2,574,767	2,574,767	2,485,920
Parks and Recreation										
Convention Center attendance	279,528	312,680	325,000	363,004	274,000	278,845	279,618	279,618	232,394	260,000
War Memorial/Blue Cross Arena										
Total attendance	410,547	573,678	498,741	437,051	536,927	472,428	509,644	366,828	398,300	429,000

Source: City of Rochester Budget & Departments

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Miles of streets	539	539	539	539	539	539	540	540	540	540
Parking garages	8	8	8	8	8	8	8	8	8	8
Libraries	11	11	11	11	11	11	11	11	11	11
Fire houses	16	16	16	16	15	15	15	15	15	15
City-owned street lights 1)	12,773	13,200	10,936	15,037	15,348	15,673	16,400	16,500	27,900	27,900
Fire hydrants	7,287	7,287	7,287	7,287	7,287	7,287	7,287	7,686	7,686	7,843

Source: City of Rochester Budget & Departments

1) Rochester Gas & Electric had maintained approximately 11,000 street lights up through 2010 but now the City maintains all these lights.

SINGLE AUDIT REPORTS



**Independent Auditor's 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**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and aggregate remaining fund information of the City of Rochester, New York (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 9, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 12-1 and 12-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 9, 2013.

The City's responses to the findings identified during our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the City Council, management, the federal awarding agencies, pass-through entities, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Rochester, New York
January 9, 2013



Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Rochester, New York's (the City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the City Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Rochester, New York
January 9, 2013

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

	Grant Number	CFDA Number	Amount
CITY GRANTS			
AMERICAN RECOVERY AND REINVESTMENT ACT:			
CDBG - R	B-09-MY-36-0003	14.253	\$ -
HPRP	S-09-MY-36-0005	14.257	1,365,987
Energy Conservation Block Grant	DE-EE0000964	81.128	978,089
COPS Hiring Recovery Program	2009RJWX0064	16.710	2,224,868
Justice Assistance Grant	2009-SB-B9-0612	16.804	457,920
DOT Grants		20.205	(181,493)
DOT Grants (Pass thru NYS)		20.205	450,567
University Ave. Artwalk		20.205	3,079,754
DEPT. OF HOUSING AND URBAN DEVELOPMENT:			
CDBG PY 1995	B-95-MC-36-0003	14.218	28,042
CDBG PY 1996	B-96-MC-36-0003	14.218	7,169
CDBG PY 1997	B-97-MC-36-0003	14.218	-
CDBG PY 1998	B-98-MC-36-0003	14.218	40
CDBG PY 1999	B-99-MC-36-0003	14.218	-
CDBG PY 2000	B-00-MC-36-0003	14.218	-
CDBG PY 2001	B-01-MC-36-0003	14.218	93,206
CDBG PY 2002	B-02-MC-36-0003	14.218	7,531
CDBG PY 2003	B-03-MC-36-0003	14.218	10,379
CDBG PY 2004	B-04-MC-36-0003	14.218	-
CDBG PY 2005	B-05-MC-36-0003	14.218	11,624
CDBG PY 2006	B-06-MC-36-0003	14.218	39,634
CDBG PY 2007	B-07-MC-36-0003	14.218	809,328
CDBG PY 2008	B-08-MC-36-0003	14.218	945,537
CDBG PY 2009	B-09-MC-36-0003	14.218	338,105
CDBG PY 2010	B-10-MC-36-0003	14.218	1,222,369
CDBG PY 2011	B-11-MC-36-0003	14.218	4,118,130
Section 108 Loan Program	B-99-MC-36-0003B	14.158	-
Section 108 EDI Program	B-95-ED-36-0019	14.158	-
Section 108 EDI Program	B-99-ED-36-0017	14.158	-
Section 108 EDI Program	B-00-ED-36-0038	14.158	-
Emergency Shelter	S-09-MC-36-0006	14.231	9,490
Emergency Shelter	S-10-MC-36-0006	14.231	5,269
Emergency Shelter	S-11-MC-36-0006	14.231	379,649
Home Program 1999	M-99-MC-36-0504	14.239	-
Home Program 2000	M-00-MC-36-0504	14.239	-
Home Program 2001	M-01-MC-36-0504	14.239	498
Home Program 2002	M-02-MC-36-0504	14.239	124,950
Home Program 2003	M-03-MC-36-0504	14.239	187,542
Home Program 2004	M-04-MC-36-0504	14.239	16,043
Home Program 2005	M-05-MC-36-0504	14.239	3,000
Home Program 2006	M-06-MC-36-0504	14.239	9,126
Home Program 2007	M-07-MC-36-0504	14.239	51,896
Home Program 2008	M-08-MC-36-0504	14.239	1,038,077
Home Program 2009	M-09-MC-36-0504	14.239	356,573
Home Program 2010	M-10-MC-36-0504	14.239	2,177,069
Home Program 2011	M-11-MC-36-0504	14.239	50,855
Lead Based Paint Abatement Program	NYLHD0185-08	14.905	1,351,454
CPD Technical Assistance (CDB3)	B08NINY0023	14.905	5,350
Lead Hazard Control Grant	NYLHD0457-09	14.900	696,440
Neighborhood Stabilization Program		14.228	805,161
HOPWA	N-YH-09-F003	14.241	3,526
HOPWA	N-YH-10-F003	14.241	569,285
HOPWA	N-YH-11-F003	14.241	225,655

(continued)

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

	Grant Number	CFDA Number	Amount
U.S. DEPARTMENT OF JUSTICE:			
Justice Assistance Grant-6	2009-DJ-BX-0250	16.738	57,045
Justice Assistance Grant-7	2010-DJ-BX-1037	16.738	100,400
Justice Assistance Grant-8	2011-DJ-BX-2223	16.738	111,845
ATF 09/10	10-NY-333-AFF	16.012	5,204
COPS Secure Our Schools	2008CKWX0735	16.710	20,523
COPS Methamphetamine Initiative	2009CKWX0098	16.710	224,249
PASS THROUGH FROM DCJS:			
Juvenile Accountability Conferencing 2011	T612123	16.540	9,366
Juvenile Accountability Conferencing 2012	T612178	16.540	6,123
Stop Violence Against Women 2011	C-554643	16.588	54,269
Stop Violence Against Women 2012	C-554644	16.588	34,126
Byrne JAG	C632480	16.738	150,000
PASS THROUGH FROM OFFICE OF VICTIMS SERVICES:			
Crime Victims Assistance 2010-2011	C-501131	16.575	52,305
Crime Victims Assistance 2011-2012	C-501131	16.575	158,837
PASS THROUGH FROM COUNTY OF MONROE:			
Grants to Encourage Arrest- Domestic Abuse Response Team	G240300012.0911	16.590	38,439
U.S. DEPARTMENT OF TRANSPORTATION:			
NYS DEPARTMENT OF TRANSPORTATION (Pass Through)			
Broad Street Tunnel - 4751.87	D009279	20.205	2,852,285
Lake Avenue - 4752.49	D011414	20.205	(286,091)
Port	D013858	20.205	(40,298)
West Ridge Road	D013560	20.205	115,308
Broad Street Bridge	D013824	20.205	219,583
CBD Signs	D017579	20.205	(220)
Lexington Avenue	D017499	20.205	-
Port Intel Trans System	D022323	20.205	168,009
Mt. Hope Ave. & E. Henrietta Road	D022408	20.205	(696,579)
Smith Street Bridge	D024554	20.205	123,101
Inner Loop Study Phase II	D017599	20.205	49,997
Ridgeway Avenue	D031733	20.205	83,438
Butterhole-Seneca Park Rail Trail	D031578	20.205	1,627,465
Safe Routes to School	D032205	20.205	275,509
Dewey Driving Park	D032530	20.205	(10,000)
Lake Ave Merrill to Burley	D033366	20.205	129,515
Midtown Transportation Infrastructure	D032564	20.205	58,076
Waring Road	D033327	20.205	85,883
Rochester Intermodal Station	DR33023	20.205	447,657
Brooks Landing Revitalization	D032280	20.205	20,355
Rochester Bicycle Enhancements	D033491	20.205	5,397
Preventive Maintenance (Otis, University, South)	D033477	20.205	642,029
Preventive Maint (Genesee, Plymouth, Northland, Buffalo)	D033709	20.205	40,000
Inner Loop Sidewalk & Crosswalks	D033662	20.205	45,347
GTC	D012571	20.205	45,033
Selective Traffic Enf Program	PD-00043-(028)	20.600	17,036
Selective Traffic Enf Program	PD-00042-(028)	20.600	13,534
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Substance Abuse	1-H79-SP13209-01	93.276	110,398
Federal Pregnancy Prevention Grant Yr 1 of 5	1-TP1AH000046-01-00	93.297	445,077
Federal Pregnancy Prevention Grant Yr 2 of 5 incl carryover	1-TP1AH000046-02-00	93.297	1,004,481

(continued)

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

	Grant Number	CFDA Number	Amount
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Brownfield Grant EPA-04	BF97259406	66.818	\$ 39,712
Brownfield Grant EPA-06	BF97249307	66.818	24,647
Brownfield Grant EPA-07	BF97249207	66.818	183,117
Brownfield Grant EPA-09	BF97254807	66.818	105,978
Brownfield Grant EPA-11	BF97228701	66.818	79,396
Brownfield Grant EPA-12	BF97219700	66.818	14,414
Brownfield Grant EPA-13	BF97207700	66.818	143
Brownfield Grant EPA-14	BF97207800	66.818	67
Brownfield Grant EPA-15	BF97207900	66.818	34,167
DEPARTMENT OF HOMELAND SECURITY:			
Medical Response (PASS THROUGH - NYS DHSES)	WM05-1161-D00	97.071	226,724
2008 Bomb Squad Initiative (PASS THROUGH - NYS DHSES)	WM08153781	97.067	7,275
UASI- 2008 (PASS THROUGH - NYS DHSES)	WM08153783	97.067	38,789
UASI- 2009 (PASS THROUGH - NYS DHSES)	WM09153793	97.067	174,702
AFG -2009 Rescue Vehicle	EMW2009-FO-06588	97.044	367,292
AFG -2010 Generators/Bailout Equipment	EMW2010-FO-07097	97.044	221,201
SHSP-2008 (MONROE COUNTY PASS THROUGH)	G240800012.0811	97.067	44,107
LETPP- 2009 (MONROE COUNTY PASS THROUGH)	G240800013.0912	97.067	276
U.S. DEPARTMENT OF EDUCATION:			
PASS THROUGH (From NYS Dept. of Education)			
21st Century Grant RASA IV Year 4	0187104089	84.287	730,317
U.S. DEPARTMENT OF AGRICULTURE:			
Summer Food Service	36-079500	10.559	274,075
TOTAL FEDERAL GRANTS			<u>\$ 35,254,149</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Grant numbers were presented where available.

NOTE 3 - MAJOR PROGRAM DETERMINATION

Major program determination is a risk based assessment which classifies programs as either a Type A program or a Type B program. All federal programs with expenditures exceeding the greater of 3% of the total federal awards or \$300,000 are considered Type A programs and all other programs are considered Type B programs. The Type B federal programs with expenditures which do not exceed the greater of .3% of the total federal awards or \$100,000 are considered insignificant and were not further evaluated. All other programs were then further assessed based on risk and major programs were selected.

NOTE 4 - ASSET CONTROL AREA AGREEMENT ("ACA")

Participating in this program (CFDA# 14.311), the City purchased houses from the Department of Housing and Urban Development at a discount. In turn, to revitalize the City's housing stock, these units are rehabilitated and resold to low to moderate-income families. The value of these discounts was \$74,700 in the 2012 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.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>Name of Federal Programs or Clusters</u>	<u>CFDA Number(s)</u>
ARRA - NYS Department of Transportation	20.205
Lead Hazard Reduction Demonstration Grant Program	14.905
Teenage Pregnancy Prevention Program	93.297
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257
ARRA - Public Safety Partnership and Community Policing Grants	16.710
JAG Program Cluster	16.738
ARRA - JAG Program Cluster	16.804

Dollar threshold used to distinguish between type A and type B programs (3% of total federal awards) \$ 1,057,624

Auditee qualified as low-risk auditee? X Yes No

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

12-1. Financial Accounting and Reporting

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: The City began the implementation of a new accounting system during July 2011. Therefore, during the audit the City was still in the transition process between the old and new systems. This resulted in a significant amount of time in obtaining reports and final financial statements from the client, therefore resulting in a prolonged audit and a significant number of adjustments by management. There were also issues in the current year related to the City's reconciliation of cash. Due to the recording of cash transactions and accounts receivable, specifically related to the parking fund, City personnel were unable to perform bank reconciliations and identify general ledger posting errors in a timely manner. We believe this causes a significant deficiency in financial accounting and reporting.

Context: During the audit it was very difficult to obtain the correct reports in a timely manner due to the implementation of the new accounting system. Due to this, cash reconciliations were not prepared in a timely manner.

Effect: The audit was not performed in an efficient manner and many of the reports and provided by the new system could not be relied upon for testing purposes. In addition, cash reconciliations were not prepared timely which resulted in instances where audit procedures had to be reperfomed.

Cause: The new accounting system was not fully integrated and employees had not been fully and properly trained on the system before the audit began.

Recommendation: The City is continuing the implementation and modifications of the MUNIS accounting system in order to address the deficiencies that were inherent in the previous system. We recommend that the City have the new accounting system fully integrated and operating effectively by next year's audit. We also recommend that management work closely with the City's IT department and the software vendor to identify cash recording issues in order to produce timely bank reconciliations.

Management Response: Despite extensive preparations, the difficulties in transitioning from a 40 year old mainframe accounting system to a modern server-based system, including moving to a paperless system, was greater than anticipated. After a year of operating a new accounting system with new business procedures and software, additional specific problem areas have been identified and there has been continued refinement through program modifications, procedural modifications, and additional employee training. It is anticipated that all significant issues related to financial reporting and cash reconciliation will be resolved before the end of fiscal 2012-13.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

12-2. Financial Accounting and Reporting

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: Internal controls related to the recording and reporting of fixed assets are not operating effectively. In the prior year the City capitalized two assets into buildings due to the completion of a capital project. However, at the same time these two assets remained in construction in progress resulting in an over statement of fixed assets in the business-type activities and the parking fund.

Context: This prior year misstatement was discovered by the City during the reconciliation of fixed assets during the current year.

Effect: Fixed assets were overstated in the prior fiscal year in the business-type activities and the parking fund.

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

Recommendation: We recommend that the City reconcile all fixed asset reports to the general ledger to verify that assets are properly recorded.

Management Response: The City will add an additional procedure to ensure that capital assets reconcile to the general ledger. In addition, we will investigate possible software solutions to further reduce the possibility of human error during the capitalization process.

THE CITY OF ROCHESTER, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

II. FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

11-1. Financial Accounting and Reporting

Criteria: Management is responsible for the fair presentation of the City's financial statements.

Condition: The City began the implementation of a new accounting system during July 2011. Therefore, during the audit the City was still in the transition process between the old and new systems. This resulted in a significant amount of time in obtaining reports and final financial statements from the client, therefore resulting in a prolonged audit and a significant number of adjustments by management. Due to the lack of proper training of some aspects of the new system, City accounting personnel required assistance from the auditors in determining final amounts for the financial statements. We believe this results in significant deficiency in financial accounting and reporting.

Context: During the audit it was very difficult to obtain the correct reports in a timely manner due to the implementation of the new accounting system.

Effect: The audit was not performed in an efficient manner and many of the reports provided by the new system could not be relied upon for testing purposes. Accounting personnel had to develop reports which resulted in instances where audit procedures had to be reperformed.

Cause: The new accounting system was not fully integrated and employees had not been fully and properly trained on the system before the audit began.

Status: See 12-1.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONCOMPLIANCE

11-2. Monitoring of Subrecipients

Federal Programs: Edward Byrne Memorial Justice Assistance Grant Program, CFDA# 16.738, Department of Justice Award Number 2009-DJ-BX-0250, Program year 2008-2012.

Edward Byrne Memorial Justice Assistance Grant Program, CFDA# 16.738, Department of Justice Award Number 2010-DJ-BX-1037, Program year 2009-2013.

Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, CFDA# 16.804, Department of Justice Award Number 2009-S8-B9-0612, Program year 2009-2013.

Criteria: A pass-through entity is responsible for monitoring the subrecipients use of federal awards through reporting and regular contact and ensuring that subrecipients expending \$500,000 or more in federal awards have a single audit completed in accordance with OMB Circular A-133 to ensure compliance with the single audit requirements.

Condition: During our audit of the financial statements it was observed that the City did not comply with OMB Circular A-133, Compliance Requirements Section M – Subrecipient Monitoring which states that a pass-through entity is responsible for monitoring subrecipients during the award period which includes obtaining subrecipient audits. We noted the City did not fully monitor the subrecipients and obtain the required single audits from the subrecipients.

Questioned Costs: There were no quantifiable questioned costs for this finding.

Context: Audit procedures were performed to select a sample of subrecipients to verify the City was monitoring how the subrecipient was spending money and obtaining the single audits to monitor their compliance with OMB Circular A-133.

Effect: The City did not obtain any single audits for any of their subrecipients.

Cause: The City did not comply with OMB Circular A-133 related to subrecipient monitoring.

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

11-3. Suspension and Debarment

Federal Programs: Edward Byrne Memorial Justice Assistance Grant Program, CFDA# 16.738, Department of Justice Award Number 2010-DJ-BX-1037, Program year 2009-2013.

Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, CFDA# 16.804, Department of Justice Award Number 2009-SB-B9-0612, Program year 2009-2013.

Criteria: Under the program requirements related to federal expenditures for suspension and debarment, all non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for

THE CITY OF ROCHESTER, NEW YORK

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

goods and services awarded under a nonprocurement transaction (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria in accordance with OMB Circular A-133 and A-102 Common Rule.

Condition: We noted that the City did not perform a verification check for vendors that received funding from the City in excess of \$25,000.

Context: Audit procedures were performed to select a sample of disbursements to verify the City was not purchasing from suspended or debarred vendors to be in compliance with OMB Circular A-133 and A-102 Common Rule.

Effect: The City is not in compliance with OMB Circular A-133 and A-102 Common Rule requirements for suspension and debarment.

Cause: The City did not perform testing on vendors for suspension or debarment in accordance with OMB Circular A-133 and A-102 Common Rule.

Questioned Costs: There are no quantifiable questioned costs for this finding.

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

NEW YORK STATE TRANSPORTATION ASSISTANCE



**Independent Auditor's Report on Compliance and
Controls Over State Transportation Assistance Expended
Based on an Audit of Basic Financial Statements Performed in
Accordance with Government Auditing Standards**

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

Compliance

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 are applicable to the major state transportation assistance programs tested for the year ended June 30, 2012. The City's major state transportation programs tested are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance programs are the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 Draft 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state transportation assistance 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major state transportation assistance programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the state transportation assistance programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its state transportation assistance programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance with Draft Part 43 of NYCRR. 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 and over compliance, such that there is a reasonable possibility that 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.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of State Transportation Assistance Expended

We have audited the basic financial statements of the City of Rochester as of and for the year ended June 30, 2012, and have issued our report thereon dated January 9, 2013. Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of State Transportation Assistance Expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the City Council, management, others within the City, and the New York State Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Rochester, New York
January 9, 2013

**THE CITY OF ROCHESTER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
YEAR ENDED JUNE 30, 2012**

	Grant Number	Current Year
CITY GRANTS		
STATE OF NEW YORK:		
DEPARTMENT OF TRANSPORTATION:		
Broad Street Tunnel - 4751.87	D009279	1,893,287
Lake Avenue - 4752.49	D011414	(42,096)
Broad Street Bridge	D013824	58,763
CBD Wayfinding Signs	D017579	90,204
West Ridge Road	D013560	12,669
Port of Rochester	D013858	2,157
Lake Front Development	A218B	(591,912)
Inner Loop Study	D017599	(9,711)
Smith Street Bridge	D024554	77,540
Ridgeway Avenue	D031733	5,284
Snow & Ice Control	D005375	55,558
Butterhole-Seneca Park Rail Trail	4MA044.30A	49,218
Butterhole-Seneca Park Rail Trail	C006780	67,675
Midtown Transportation Infrastructure	D032564	4,980
Waring Road	D033327	13,061
Curb Replacement	4MA040.30A	6,157
Trail Sign EPF6	C006778	5,257
Lake Avenue - Merrill to Burley	D033366	21,127
Rochester Rhinos Stadium - Ph 2B	3979	233,258
Brooks Landing Revitalization	D032280	24,881
Preventive Maintenance (Otis, University, South)	D033477	109,524
Consolidated Street & Highway Improvements		3,064,900
Mt. Hope Avenue and E. Henrietta Road	D022408	(98,283)
Total		<u>\$ 5,053,498</u>

THE CITY OF ROCHESTER, NEW YORK

**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of State Transportation Assistance Expended by the City of Rochester, New York, (the City) an entity as defined in Note 1 to the City's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting.

THE CITY OF ROCHESTER, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION ASSISTANCE EXPENDED FOR THE YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDIT RESULTS

Internal control over State Transportation Assistance Expended:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses: Yes No

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

Identification of State Transportation Assistance Programs tested:

Name of Project

Broad Street Tunnel

II. COMPLIANCE FINDINGS AND QUESTIONED COSTS

No findings were noted in the current year.

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