

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2020**

**Moody's: Aa2**

**Standard & Poor's: AA**

**(See "RATINGS" herein)**

**New Issue-Book-Entry**

**\$44,465,000\***

**COUNTY OF MONROE INDUSTRIAL DEVELOPMENT AGENCY  
School Facility Revenue Bonds  
(Rochester Schools Modernization Project), Series 2020**

**Dated: Delivery Date**

**Due: as shown on inside cover**

The School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2020 (the "Series 2020 Bonds") are being issued by the County of Monroe Industrial Development Agency (the "Issuer"), to finance the renovation and/or equipping of certain public school facilities for use by the Rochester City School District (the "Rochester CSD") in accordance with Chapter 416 of the Laws of 2007 of the State of New York (the "State"), as amended by Chapter 533 of the Laws of 2014 of the State (the "Rochester Schools Act"). The Series 2020 Bonds will be issued pursuant to an Amended and Restated Indenture of Trust dated as of February 1, 2015 and a Fifth Supplemental Indenture of Trust dated as of May 1, 2020 (collectively, the "Indenture"), each between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"), and will be special limited obligations of the Issuer payable from amounts due from the Rochester CSD under an Amended and Restated Sublease Agreement dated as of May 1, 2020 (the "Sublease Agreement").

The Rochester CSD's obligation to pay sublease payments under the Sublease Agreement ("Sublease Payments") is executory only to the extent of New York State building and operating aid ("State Aid") appropriated and available to the Rochester CSD, which State Aid does not include Expanding our Children's Education and Learning aid. Payment of State Aid to the Rochester CSD is subject to annual appropriation of the State. Pursuant to an Amended and Restated State Aid Trust Agreement, dated as of August 1, 2017 (the "State Aid Trust Agreement"), among the Rochester CSD, the Trustee, the City of Rochester (the "City") and U.S. Bank National Association, as depository (the "Depository Bank"), all State Aid payable to the Rochester CSD will be deposited into a State Aid Depository Fund with the Depository Bank and, upon appropriation by the Rochester CSD, such State Aid will be disbursed for the payment of principal of and interest on the Series 2020 Bonds, other bonds issued in accordance with the Rochester Schools Act and other purposes of the Rochester CSD. According to the State's recently released four year financial plan, State spending will be significantly reduced. **Spending reductions include "aid-to-localities," which comprises, among others, funding for K-12 schools. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19."**

The Series 2020 Bonds are special limited obligations of the Issuer payable solely from (i) the payment of Sublease Payments by the Rochester CSD under the Sublease Agreement and (ii) the pledge of certain funds, including a bond fund, under the Indenture. In the event the Rochester CSD fails to make a sublease payment under the Sublease Agreement, the Rochester Schools Act and the Indenture provide that, upon receipt by the New York State Comptroller (the "State Comptroller") of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any State Aid from the Rochester CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The obligation of the Rochester CSD under the Sublease Agreement to pay Sublease Payments is not a general obligation of the Rochester CSD or the City and neither the full faith and credit nor the taxing powers of the Rochester CSD or the City are pledged to the payment of Sublease Payments under the Sublease Agreement. The obligation of the Rochester CSD under the Sublease Agreement to pay Sublease Payments in any fiscal year of the Rochester CSD constitutes a current expense of the Rochester CSD for such fiscal year and shall not constitute an indebtedness or moral obligation of the Rochester CSD, the City, the County of Monroe (the "County") or the State within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available for the payment of the principal of and interest on the Series 2020 Bonds is Sublease Payments made by the Rochester CSD under the Sublease Agreement to the extent of State Aid appropriated by the State and available to the Rochester CSD and appropriated by the Rochester CSD to make such payments, and the intercept by the State Comptroller of State Aid lawfully appropriated by the State and available therefor from time to time for the benefit of the Rochester CSD. The Series 2020 Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of the County or the State and neither the County nor the State shall be liable thereon. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

The Series 2020 Bonds will be issued in fully registered form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "THE SERIES 2020 BONDS—Registration and Payment —Book-Entry System" herein.

The Series 2020 Bonds will bear interest payable semiannually on the first day of May and the first day of November of each year commencing November 1, 2020 and are subject to redemption prior to maturity as described herein. See "THE SERIES 2020 BONDS—Redemption of the Series 2020 Bonds" herein.

*In the opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Series 2020 Bonds will be excludable from gross income for federal income tax purposes under existing law, and interest on the Series 2020 Bonds will not be subject to the alternative minimum tax. In the further opinion of Bond Counsel, under existing law interest on the Series 2020 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein for a description of the opinion of Bond Counsel and certain other tax consequences.*

*The Series 2020 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Pittsford, New York; for the Underwriters by their counsel, Barclay Damon LLP, Albany, New York; for the Rochester Joint Schools Construction Board by its counsel, Bond Schoenbeck & King PLLC, Rochester, New York; for the Rochester CSD by the General Counsel; and for the City of Rochester by its counsel, Woods Oviatt Gilman LLP, Rochester, New York. Capital Markets Advisors, LLC serves as independent financial advisor to the Rochester CSD and the City. It is expected that the Series 2020 Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about May 28, 2020.*

**Citigroup**

**Loop Capital Markets**

Dated: May \_\_, 2020

\* Preliminary, subject to change.

**Siebert Williams Shank & Co., L.L.C.**

\$44,465,000\*  
COUNTY OF MONROE INDUSTRIAL DEVELOPMENT AGENCY  
SCHOOL FACILITY REVENUE BONDS  
(ROCHESTER SCHOOLS MODERNIZATION PROJECT), SERIES 2020

<u>May 1</u>	<u>Principal</u>	<u>Coupon</u>	<u>Price or Yield</u>	<u>CUSIP Numbers†</u>
--------------	------------------	---------------	---------------------------	---------------------------

---

\* Preliminary, subject to change.

† Copyright, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Banker Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2020 Bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

*No dealer, broker, salesperson or other person has been authorized by the Issuer or the Underwriters to give any information or to make any representations with respect to the Series 2020 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing.*

*This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2020 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.*

*The Series 2020 Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2020 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2020 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2020 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.*

*Certain information in this Official Statement has been supplied by the Issuer, the Rochester Joint Schools Construction Board (“RJSCB”), the Rochester CSD, the City, Savin Engineers, P.C., and other sources that the Issuer and the Underwriters believe are reliable. Neither the Issuer nor the Underwriters guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Issuer or the Underwriters. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the RJSCB, the Rochester CSD, the City or Savin Engineers, P.C. since the date hereof.*

*The Issuer assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions “THE ISSUER” and “LITIGATION” (but only with respect to the Issuer), all of which other information has been furnished by others.*

*The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

*References in this Official Statement to the Act, the Rochester Schools Act, the Indenture, the State Aid Trust Agreement, the Sublease Agreement and the Ground Lease (each as herein defined) do not purport to be complete. Reference is made to the Act, the Rochester Schools Act, the Indenture, the State Aid Trust Agreement, the Sublease Agreement and the Ground Lease for full and complete details of their respective provisions. Copies of the Indenture, the State Aid Trust Agreement, the Sublease Agreement and the Ground Lease are on file with the Trustee.*

*The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.*

*The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2020 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2020 Bonds.*

*This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the State and the Rochester CSD and the*

*amount of State Aid paid to the Rochester CSD, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Issuer, the Underwriters or the Rochester CSD that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.*

*If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Rochester CSD. These forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Underwriters and the Rochester CSD disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Rochester CSD’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.*

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2020 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

## TABLE OF CONTENTS

INTRODUCTION .....	1	Impact of COVID-19 .....	43
General .....	1	Default by the Rochester CSD .....	43
Authorization.....	1	Categories of State Aid Paid to Depository Bank;	
Purpose of the Series 2020 Bonds .....	1	Categories of State Aid to be Withheld in the	
The Program.....	1	Event of Nonpayment Under the Sublease	
Structure .....	3	Agreement.....	44
Security .....	3	Appropriation of Sublease Payments by the	
THE PROGRAM AND THE PHASE II PROJECT .....	7	Rochester CSD.....	44
Authorization.....	7	Competing Claims to State Aid.....	44
Program Overview .....	8	Additional Series of Project Bonds .....	47
PROGRAM PARTICIPANTS .....	8	Potential Future Budget Imbalance .....	48
The City.....	8	Absence of Title Insurance.....	48
The Rochester CSD and Board of Education .....	8	Enforceability of Remedies .....	49
The RJSCB.....	14	State Aid Trust Agreement.....	49
The Program Manager.....	15	Limited Obligations of the Issuer .....	49
New York State Education Department .....	15	Absence of Public Market for the Series 2020	
THE ISSUER.....	16	Bonds .....	50
PLAN OF FINANCING.....	16	TAX MATTERS .....	50
SOURCES AND USES OF FUNDS.....	17	Tax Exemption .....	50
THE SERIES 2020 BONDS.....	17	Tax Accounting Treatment of Discount and	
General.....	17	Premium on Certain Bonds .....	51
Exchange of Series 2020 Bonds.....	18	APPROVAL OF LEGAL MATTERS .....	52
Transfer of Series 2020 Bonds .....	18	FINANCIAL ADVISOR .....	53
Redemption of the Series 2020 Bonds .....	18	LITIGATION .....	53
Selection of Series 2020 Bonds to be Redeemed ....	18	RATINGS.....	53
Procedures .....	19	UNDERWRITING .....	54
Registration and Payment - Book-Entry System.....	19	SECONDARY MARKET DISCLOSURE .....	55
SECURITY AND SOURCES OF PAYMENT FOR		MISCELLANEOUS.....	55
THE SERIES 2020 BONDS.....	23		
General.....	23	APPENDIX A — Comprehensive Annual Financial	
Ground Lease .....	23	Report including Audited Financial Statements	
Sublease Agreement .....	23	of the Rochester CSD for Fiscal Year ended June	
Sublease Agreement Payments .....	23	30, 2019 .....	A-1
State Aid Intercept.....	25	APPENDIX B — Certain Definitions .....	B-1
Indenture .....	26	APPENDIX C — Summary of Certain Provisions	
Additional Bonds .....	27	of the Indenture of Trust.....	C-1
State Aid Trust Agreement.....	28	APPENDIX D — Summary of Certain Provisions	
Timing of Payments under State Aid Trust		of the Sublease Agreement .....	D-1
Agreement.....	30	APPENDIX E — Summary of Certain Provisions	
State Aid.....	31	of the State Aid Trust Agreement.....	E-1
New York State Budget Process .....	36	APPENDIX F — Form of Bond Counsel Opinion	
Limited Obligations of the Issuer.....	38	for the Series 2020 Bonds.....	F-1
ANNUAL SUBLEASE PAYMENTS.....	40	APPENDIX G — Form of Continuing Disclosure	
BONDHOLDERS' RISKS.....	40	Agreement for the Series 2020 Bonds .....	G-1
The State's Financial Condition, Reduced State			
Aid, Delayed Payment, COVID-19 .....	40		

[THIS PAGE INTENTIONALLY LEFT BLANK]

**\$44,465,000\***  
**COUNTY OF MONROE INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHOOL FACILITY REVENUE BONDS**  
**(ROCHESTER SCHOOLS MODERNIZATION PROJECT), SERIES 2020**

**INTRODUCTION**

**General**

This Official Statement sets forth certain information concerning the issuance and sale by the County of Monroe Industrial Development Agency (the “Issuer”) of \$44,465,000\* aggregate principal amount of its School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2020 (the “Series 2020 Bonds”). The Series 2020 Bonds will be secured by and issued pursuant to an Amended and Restated Indenture of Trust dated as of February 1, 2015 and a Fifth Supplemental Indenture of Trust dated as of May 1, 2020 (collectively, the “Indenture”), each between the Issuer and U.S. Bank National Association, New York, New York, as Trustee (the “Trustee”).

**Authorization**

The Series 2020 Bonds will be issued pursuant to the Issuer’s enabling legislation, constituting Title 1 of Article 18-A of the General Municipal Law of the State of New York (the “State”), as amended (enacted into law as Chapter 1030 of the Laws of 1969 of the State) and Chapter 55 of the Laws of 1972 of the State (collectively, the “Act”), Chapter 416 of the Laws of 2007 of the State (the “Phase I Act”), as amended by Chapter 533 of the Laws of 2014 of the State (the “Phase II Act”, and, collectively with the Phase I Act and as the same may further be amended, the “Rochester Schools Act”) and a resolution of the Issuer adopted on March 17, 2020. The Rochester Schools Act was enacted to encourage the City and the Rochester CSD to cooperatively undertake new and innovative ways of renovating, building and financing public schools within the City. The Rochester Schools Act authorizes a two-phase, multi-year comprehensive redevelopment program of the Rochester CSD’s public schools (the “Program”). Prior to the commencement of the Program, the facilities of the Rochester CSD had not been updated or improved in a number of years. See “THE PROGRAM”. Phase I of the Program consisted of the acquisition, renovation, reconstruction, improvement, equipping and furnishing of up to 13 projects at a total cost not to exceed \$325 million (the “Phase I Project”). Phase II of the Program consists of the acquisition, renovation, reconstruction, improvement, equipping and furnishing of up to 26 projects at a total cost not to exceed \$435 million (the “Phase II Project”).

**Purpose of the Series 2020 Bonds**

The proceeds of the Series 2020 Bonds will be applied to (i) finance the remaining portion of the Phase II Project (such portion of the Phase II Project, the “Series 2020 Project”); (ii) fund capitalized interest for the Series 2020 Bonds; and (iii) finance certain costs of issuance of the Series 2020 Bonds. See “THE PROGRAM” and “PLAN OF FINANCING.”

**The Program**

The Rochester Joint Schools Construction Board (the “RJSCB”) was created by the Rochester Schools Act. Pursuant to the Rochester Schools Act, the RJSCB is authorized to manage the acquisition, design, reconstruction and financing of public educational facilities and certain limited functions with

---

\* Preliminary, subject to change.

respect to the reconstruction, renovation and financing of existing public educational facilities in the City, and to create, coordinate efforts to enable compliance with, and monitor and report on, a program-wide diversity plan for the Program. The RJSCB, the Rochester CSD and the City have entered into a Cooperative Agreement dated as of February 22, 2010, as amended August 4, 2016 (the “Cooperative Agreement”) in order to clarify the agency arrangement and delegation of authority among the Rochester CSD, the City and the RJSCB, as well as their respective obligations and expectations to achieve the objective of the Rochester Schools Act.

Pursuant to the provisions of the Rochester Schools Act, Savin Engineers, P.C. (the “Program Manager”) was selected as the Program Manager to implement Phase II of the Program. The RJSCB and the Program Manager have entered into a Program Management Agreement dated as of December 15, 2015, as amended. The plans and specifications for the Phase II Project have been developed by the RJSCB and the Phase II Program Manager, with the assistance of the Rochester CSD.

The Phase I Project consisted of the acquisition, renovation, reconstruction, improvement, equipping and furnishing of 12 schools, as well as a district-wide technology project, at a total cost of \$325 million. The Phase I Project has been substantially completed. The Issuer issued \$271,380,000 principal amount of Project Bonds to finance the costs of the Phase I Project (collectively, the “Phase I Bonds”):

<u>Date of Issue</u>	<u>Name of Issue</u>
6/20/12	\$66,190,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2012A (Tax-Exempt Bonds)
6/20/12	\$57,910,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2012B (Federally Taxable Qualified School Construction Bonds)
6/6/13	\$103,055,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2013
2/5/15	\$44,225,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2015

Additional costs of the Phase I Project were financed with original issue premium derived from the sale of the Phase I Bonds and EXCEL grant aid.

The Phase II Project consists of the acquisition, renovation, reconstruction, improvement, equipping and furnishing of up to 26 projects at a total cost not to exceed \$435 million. The Issuer has issued \$320,965,000 principal amount of Project Bonds to finance portions of the costs of the Phase II Project (the “Series 2017 Bonds” and the “Series 2018 Bonds”, respectively):

<u>Date of Issue</u>	<u>Name of Issue</u>
8/1/17	\$123,670,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2017
8/1/18	\$197,295,000 School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2018

The Series 2020 Bonds are the third and final series of Project Bonds to be issued to finance the costs of the Phase II Project. The Series 2017 Bonds, the Series 2018 Bonds and the Series 2020 Bonds are referred to collectively herein as the “Phase II Bonds.”

## **Structure**

Pursuant to an Amended and Restated Ground Lease dated as of May 1, 2020 (as the same may be amended or supplemented, the “Ground Lease”), the City and the Rochester CSD leased to the Issuer all public school buildings, improvements, real property, equipment, fixtures and machinery related thereto constituting the Phase I Project and the Phase II Project. The Ground Lease will terminate when no bonds under the Indenture, including the Phase I Bonds and the Phase II Bonds (or any later series of Additional Bonds issued under the Indenture), shall remain Outstanding. It is possible that the Ground Lease will be amended in the future to include other facilities of the Rochester CSD and, if so, the term of the Ground Lease will be extended for the period that any other Project Bonds shall remain Outstanding.

The Issuer has subleased its leasehold interest in the Ground Lease Facilities under the Ground Lease to the City and the Rochester CSD pursuant to an Amended and Restated Sublease Agreement dated as of May 1, 2020 (the “Sublease Agreement”). Sublease payments due from the Rochester CSD under the Sublease Agreement will equal principal of and interest due on the Phase I Bonds, the Phase II Bonds and any later series of Project Bonds issued under the Indenture. Under the Sublease Agreement, the Rochester CSD is responsible for the maintenance and operation of the Ground Lease Facilities.

Pursuant to the Indenture, the Issuer will issue the Series 2020 Bonds for the benefit of the Rochester CSD to finance a portion of the costs of the Series 2020 Project. The Series 2020 Project will be undertaken by the Rochester CSD, as agent of the Issuer. The RJSCB, as agent for the Rochester CSD, will continue to implement the Phase II Project, including the Series 2020 Project, pursuant to the Cooperative Agreement. See “PLAN OF FINANCING.”

## **Security**

Principal of and interest on the Series 2020 Bonds will be secured by (i) Sublease Payments made by the Rochester CSD under the Sublease Agreement, and (ii) the pledge of certain funds, including the Bond Fund, under the Indenture. In the event the Rochester CSD fails to make a sublease payment under the Sublease Agreement, the Rochester Schools Act and the Indenture provide that, upon receipt by the New York State Comptroller (the “State Comptroller”) of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold from the Rochester CSD, New York State building and operating aid (“State Aid”) payable to the Rochester CSD to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. See “THE SERIES 2020 BONDS—State Aid” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Intercept.” The Rochester Schools Act further provides that (x) any amount of State Aid so paid by the State Comptroller shall not obligate the State to make, nor entitle the Rochester CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Rochester Schools Act shall be deemed to

prevent the State from modifying, reducing or eliminating any program or programs of State Aid, and (z) the State shall not be obligated by the terms of the Rochester Schools Act to maintain State Aid at any particular level or amount. According to the State's recently released four year financial plan, State spending will be significantly reduced. Spending reductions include "aid-to-localities," which comprises, among others, funding for K-12 schools. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19."

The Rochester CSD's obligation to pay Sublease Payments under the Sublease Agreement is executory only to the extent of State Aid appropriated and available to the Rochester CSD, and appropriated by the Rochester CSD to the payment of Sublease Payments under the Sublease Agreement, and no liability on account thereof shall be incurred by the Rochester CSD beyond the amount of such State Aid so available and appropriated; *provided, however*, that the failure of the Rochester CSD, for any reason, including a failure by the State or the Rochester CSD to appropriate State Aid (whether such failure on behalf of the Rochester CSD results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise), to make a sublease payment under the Sublease Agreement is nevertheless deemed a failure to make a payment thereunder for purposes of the Sublease Agreement, the Rochester Schools Act and the State Aid intercept implementing provisions of the Indenture. Payment of State Aid to the Rochester CSD is subject to annual appropriation of the State. Except to the extent limited as provided above, the obligation of the Rochester CSD to pay Sublease Payments under the Sublease Agreement and to perform its obligations thereunder shall be absolute and unconditional; and such Sublease Payments and other amounts shall be payable without any rights of set-off, or recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee, any purchaser of any Series 2020 Bond or any other person and whether or not any or all of the facilities financed with the proceeds of the Series 2020 Bonds are used or occupied by the Rochester CSD or available for use or occupancy by the Rochester CSD. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS," "BONDHOLDERS' RISKS—Additional Series of Project Bonds" and APPENDIX D —"Summary of Certain Provisions of the Sublease Agreement."

The Rochester CSD, the City, the Trustee, and U.S. Bank National Association, as depository bank (the "Depository Bank"), have entered into a State Aid Trust Agreement dated as of June 1, 2012, as amended and restated as of August 1, 2017 (the "State Aid Trust Agreement"). In accordance with the State Aid Trust Agreement, the Chief Financial Officer of the City and the President of the Board of Education of the Rochester CSD have instructed the State Comptroller to pay all State Aid (except for any amount of State Aid withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act as a result of nonpayment by the City or the Rochester CSD under the Sublease Agreement), directly to a designated fund (the "State Aid Depository Fund") held with the Depository Bank. Provided the Rochester CSD has made an appropriation for the payment of Sublease Payments under the Sublease Agreement, amounts in the State Aid Depository Fund will be transferred periodically to the Bond Fund established under the Indenture, on a Ratable Basis, toward the payment of the Phase I Bonds, the Phase II Bonds and any other Series of Project Bonds outstanding under the Indenture and any balance remaining will be transferred to the Rochester CSD. Amounts in the State Aid Depository Fund will be transferred by the Depository Bank to the Bond Fund periodically on a Ratable Basis from each December 1 until each March 31 of each Fiscal Year (the "Collection Period") and will be credited against the Rochester CSD's obligation to pay its annual Sublease Payments under the Sublease Agreement due on April 1 of each year. Although the State Aid Trust Agreement requires an immediate transfer of State Aid from the State Aid Depository Fund to the Bond Fund during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indenture, and are not pledged as security for the payment of the Series 2020 Bonds until such amounts have been transferred by the Depository Bank to the Trustee and deposited in the related Bond Fund under the Indenture. Currently State Aid for the general fund is being paid by the State Comptroller to the

State Aid Depository Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Trust Agreement.”

Notwithstanding the April 1 sublease payment date under the Sublease Agreement, the Sublease Agreement provides that, if the Rochester CSD fails to appropriate (whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise), by each November 10 on which the Phase I Bonds, the Phase II Bonds and any other Series of Project Bonds remain Outstanding, State Aid in an amount sufficient to pay the Sublease Payment due on the immediately succeeding April 1 (after taking into account any amounts on deposit in the respective Bond Fund and available on such November 10), then: (y) the Rochester CSD shall promptly deliver written notice of such failure to appropriate to the Issuer and the Trustee, and (z) the next succeeding April 1 payment date for the annual lease payment shall instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual sublease payment date; and if for any reason the annual sublease payment due on such November 15 is not made by such date, any such failed payment shall constitute a failure to make a payment under the Sublease Agreement for purposes of the Sublease Agreement, the Rochester Schools Act and the State Aid Intercept implementing provisions of the Indenture. The Sublease Agreement does not permit the Trustee or the Issuer to terminate the Rochester CSD’s or the City’s possessing interest in the Facilities and the sole remedy available to the Bondholders would be the intercept of State Aid by the State Comptroller.

The estimated maximum annual Sublease Payment with respect to all Project Bonds outstanding (including the Phase I Bonds and the Phase II Bonds) is approximately \$61.5 million.\* The amount of State Aid projected, as of April 1, 2020, to be received by the Rochester CSD in its fiscal year ending June 30, 2020 for all funds is \$705.1 million, excluding the 2019-20 State Aid Advance and Smart School Bond Act (“SSBA”) funding (as described in “PROGRAM PARTICIPANTS—The Rochester CSD and Board of Education—*Revenues*” and “—*State Aid Advances*”)), and the amount received has averaged approximately \$624.2 million over the past five fiscal years of the Rochester CSD, through and including fiscal year 2018-19, excluding SSBA funding. The amount of State Aid for all funds that is expected to be received by the Rochester CSD under the State’s 2019-20 Enacted Budget is \$695.2 million and the amount of State Aid for all funds included in the Rochester CSD’s fiscal year 2019-20 budget that was approved by the City Council is \$711.4 million, excluding SSBA funding. The amount of State Aid for all funds that is expected to be received by the Rochester CSD under the State’s 2020-21 Enacted Budget is \$691.1 million and the amount of State Aid for all funds that is included in the Rochester CSD’s fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$707.3 million. Any difference between the State’s 2020-21 Enacted Budget and the amount budgeted by Rochester CSD is attributable to non-formula items such as tuition for homeless, incarcerated and deaf students and special legislative aid. The amount of State Aid for all funds that is expected to be received by the Rochester CSD under the State’s 2020-21 Enacted Budget will be revised, from time to time, during the fiscal year as the Rochester CSD provides additional information to the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*” with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget. See also “BONDHOLDERS’ RISKS—The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19” regarding the State’s ability to adjust State aid under the State’s 2020-21 Enacted Budget.

The Rochester CSD receives a substantial portion of its State Aid during the Collection Period. During the Collection Period from December 1 to March 31 of each of the following fiscal years of the

---

\* Preliminary, subject to change.

Rochester CSD, the Rochester CSD received State Aid receipts to be used for general operating funds in the following amounts:

**COLLECTION PERIOD RECEIPTS**  
**(in millions)**  
**Fiscal Year**

	<b>2014-15<sup>(1)</sup></b>	<b>2015-16<sup>(1)</sup></b>	<b>2016-17<sup>(1)</sup></b>	<b>2017-18<sup>(1)</sup></b>	<b>2018-19<sup>(1)</sup></b>	<b>2019-20<sup>(2)</sup></b>	<b>2020-21<sup>(3)</sup></b>
December	\$ 42.0	\$ 47.1	\$ 51.6	\$ 54.1	\$ 56.5	\$ 58.3	\$ 59.3
January	72.6	79.2	98.4	99.6	98.8	87.4	89.0
February	41.6	45.4	46.1	50.4	52.6	57.1	59.0
March	<u>131.6</u>	<u>146.1</u>	<u>146.5</u>	<u>157.0</u>	<u>164.3</u>	<u>175.9</u>	<u>177.6</u>
Total	\$287.8	\$317.8	\$342.6	\$361.1	\$372.2	\$378.7	\$384.9

Source: Rochester CSD Finance Office.

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Projected as of April 1, 2020.

<sup>(3)</sup> Projected based on the State's 2020-21 Enacted Budget.

No assurance can be given that the foregoing amounts of State Aid will continue or be appropriated by the State in these amounts in future fiscal years. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS – State Aid – *Proposed Reductions in State Aid under Governor’s Deficit Reduction Plan*,” and “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19” and “— Competing Claims to State Aid” and see APPENDIX A — “Comprehensive Annual Financial Report including Audited Financial Statements of the Rochester CSD for Fiscal Year ended June 30, 2019.”

The State is not legally obligated to continue to pay State Aid to the Rochester CSD. The amount of State Aid paid to the Rochester CSD may be dependent, in part, upon the financial condition of the State. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19” and “— Competing Claims to State Aid.” See also APPENDIX A — “Comprehensive Annual Financial Report including Audited Financial Statements of the Rochester CSD for Fiscal Year ended June 30, 2019.”

Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially all of its rights under the Sublease Agreement, including the right to receive and collect the Sublease Payments payable by the Rochester CSD thereunder. Pursuant to the Indenture, the Issuer also has pledged and assigned to the Trustee for the benefit of the holders of the Project Bonds, including the Series 2020 Bonds, substantially all of its right, title and interest in and to State Aid and the funds, monies or securities held under the Indenture, including amounts held in the applicable Bond Funds established therefor.

The Series 2020 Bonds are subject to optional redemption in accordance with the provisions of the Indenture. See “THE SERIES 2020 BONDS — Redemption of the Series 2020 Bonds.”

**THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE RELATED BOND FUND UNDER THE INDENTURE. IN THE EVENT THE ROCHESTER CSD FAILS TO MAKE A SUBLEASE PAYMENT UNDER THE SUBLEASE AGREEMENT, IT IS PROVIDED IN THE ROCHESTER SCHOOLS ACT AND THE INDENTURE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON**

BEHALF OF THE ISSUER, AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE ROCHESTER CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE ROCHESTER CSD UNDER THE SUBLICENSE AGREEMENT TO PAY SUBLICENSE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE ROCHESTER CSD OR THE CITY, AND THE FULL FAITH AND CREDIT OF THE ROCHESTER CSD AND THE CITY ARE NOT PLEDGED TO THE PAYMENT OF SUBLICENSE PAYMENTS UNDER THE SUBLICENSE AGREEMENT. THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF SUBLICENSE PAYMENTS UNDER THE SUBLICENSE AGREEMENT. THE ROCHESTER CSD HAS NO TAXING POWER. THE OBLIGATIONS OF THE ROCHESTER CSD UNDER THE SUBLICENSE AGREEMENT TO PAY SUBLICENSE PAYMENTS IN ANY FISCAL YEAR OF THE ROCHESTER CSD CONSTITUTE A CURRENT EXPENSE OF THE ROCHESTER CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE ROCHESTER CSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 BONDS IS SUBLICENSE PAYMENTS MADE BY THE ROCHESTER CSD UNDER THE SUBLICENSE AGREEMENT, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE ROCHESTER CSD AND APPROPRIATED BY THE ROCHESTER CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE ROCHESTER CSD.

Certain capitalized terms used in this Official Statement which are not defined herein shall have the meanings assigned to them in APPENDIX B — “Certain Definitions.”

Brief descriptions of the Issuer, the Series 2020 Bonds, the security for the Series 2020 Bonds, the Program, the Series 2020 Project, the Rochester CSD, the City, the RJSCB and the Program Manager are set forth below, or in the Appendices hereto. Summaries of certain financing documents are set forth below or in the Appendices hereto. Such summaries do not purport to be complete or definitive. Each such summary is qualified in its entirety by reference to each such document for a complete description of all of the terms and provisions thereof, copies of which are on file with, and are available at the offices of, the Trustee. The inclusion of such summaries is not to be construed as a representation or a guarantee by the Issuer of their accuracy or completeness, other than the information under the captions “THE ISSUER” and “LITIGATION” (but only with respect to the Issuer) therein.

The Form of the Continuing Disclosure Agreement for the Series 2020 Bonds is set forth in APPENDIX G.

## **THE PROGRAM AND THE PHASE II PROJECT**

### **Authorization**

The Program has been developed by the RJSCB in conjunction with the Program Manager pursuant to the Rochester Schools Act, resolutions of the Board of Education of the Rochester CSD and the City Council, and the Charter of the City, and encompasses a comprehensive redevelopment program for the reconstruction of existing public schools for the Rochester CSD. Prior to the implementation of the Program, many elementary and secondary schools in the City, while structurally sound, were in need of substantial improvement, renovation and reconstruction. The Rochester Schools Act was enacted to

encourage the City and the Rochester CSD to cooperatively undertake new and innovative ways of renovating, building and financing public schools within the City.

## **Program Overview**

The current cost to complete all phases of the Program (including phases not currently authorized by the Rochester Schools Act) is currently estimated to be approximately \$1.3 billion. Prior to the implementation of the Program, while in generally sound structural condition, many of the school buildings were inadequate to meet current instructional requirements for delivering a 21st Century education. To date, \$760 million has been dedicated under the Program. Phase I of the Program has been completed and 12 of a total of 49 District-owned public schools buildings have been improved by the Program. Phase II of the Program is now being undertaken. In 2019, the City, the Rochester CSD and the RJSCB requested that the New York State Legislature (the “State Legislature”) amend the Rochester Schools Act to authorize Phase III of the Program in the approximate amount of \$615 million. Legislation was first introduced in 2019 and was amended in April 2020 to reduce the approximate amount of the Phase III authorization to \$550 million; the legislation has not yet been enacted. Any amendments to the Rochester Schools Act will be subject to authorization by the State Legislature. It is anticipated that the costs of subsequent phases of the Program will be funded by the issuance of one or more series of Project Bonds. It is expected that future series of Project Bonds will each rank on a ratable basis with the claims of the Phase I Bonds and the Phase II Bonds under the State Aid Trust Agreement, and with the State Comptroller with respect to an intercept of State Aid under the Rochester Schools Act and any future amendments to the foregoing.

The City and the Rochester CSD expect that through the payment of a portion of the State Aid to Education constituting building aid (“State Building Aid”), the State will reimburse a substantial portion of the cost of the Program, including the Phase II Project.

## **PROGRAM PARTICIPANTS**

### **The City**

Incorporated as a village in 1817 and as a city in 1834, the City 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.

On January 1, 2014, the current Mayor, Lovely A. Warren, began her first term. Mayor Warren’s current term expires on December 31, 2021.

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, each representing approximately one-quarter of the City’s area, and five by a city-wide vote. The members of the 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 Rochester CSD and Board of Education**

The Rochester CSD is dependent on funding from the City, the State and the Federal government. It is governed by an independently elected seven-member Board of Education and operates pursuant to the New York State Education Law (the “Education Law”). The administration of the schools is the responsibility of the Superintendent of Schools, who is appointed by the Board of Education. The

Rochester CSD currently owns and operates 12 secondary school buildings and 36 elementary and intermediate schools. The Rochester CSD also currently operates four (4) leased multi-purpose buildings. There are 14 charter schools that operate independently from the Rochester CSD. All charter schools receive the State-set per pupil tuition rate for Rochester resident pupils, regardless of their location.

The following table sets forth information relating to the size of the school system.

**SIZE OF ROCHESTER SCHOOL SYSTEM**  
**Fiscal Year Ended June 30**

<b>Fiscal Year</b>	<b>K-12 Enrollment</b>	<b>School Buildings<sup>(1)</sup></b>	<b>Teaching Staff</b>	<b>Administrative Personnel<sup>(2)</sup></b>	<b>Instructional Support<sup>(3)</sup></b>
2010	31,654	54	4,033	765	1,255
2011	31,256	52	3,737	677	1,165
2012	30,693	52	3,483	657	1,116
2013	29,523	52	3,527	697	1,141
2014	29,103	52	3,375	713	1,133
2015	28,401	52	3,615	826	1,177
2016	27,745	50	3,718	827	1,195
2017	26,976	49	3,963	833	1,226
2018	26,155	48	4,185	832	1,298
2019	25,742	48	4,436	857	1,259
2020 <sup>(4)</sup>	25,073	48	3,999	826	1,186

Source: Rochester CSD Finance Office.

<sup>(1)</sup> Includes Rochester CSD-owned buildings including active schools, swing schools (with temporary enrollment), schools under reconstruction, multi-use buildings and schools that have been closed but are still maintained by the Rochester CSD. Does not include four (4) leased, multi-purpose buildings.

<sup>(2)</sup> Includes Board of Education, Chief School Administration, Finance, Central Services and Other Unclassified Administrative Staff.

<sup>(3)</sup> Includes Instructional Administration, Instructional Media, Pupil Services, Pupil Transportation and Community Service Staff.

<sup>(4)</sup> Data as of April 1, 2020.

*Budgetary Procedure*

City expenditures during each fiscal year are made pursuant to budgets for the City and the Rochester CSD. Although the Rochester CSD prepares its own budget and administers expenditures thereunder, it has neither taxing nor borrowing authority. The Rochester CSD is financially dependent upon the City with respect to those matters. The Mayor and the Rochester CSD Board of Education submit their respective budgets to the City Council for adoption after public hearings. Subject to the requirements of the New York State's Maintenance of Effort Legislation, the Council has the power to increase, decrease or reject any item contained in the estimate received from the Mayor and the Board of Education, except for fixed charges for which the City is liable. The City Charter requires the Council to levy taxes in an amount sufficient to balance both budgets.

New York State Maintenance of Effort Legislation requires that the City make a minimum contribution to the Rochester CSD based on the funds provided in the most recent fiscal year. The City has agreed to provide or pay on behalf of the Rochester CSD a total of \$119.1 million in the fiscal year ending June 30, 2020. Operating expenditures may not exceed appropriations during the fiscal year. The Council may, however, authorize additional appropriations during the year, financed by issuance of

budget notes (subject to certain legal limitations) or, upon recommendations by the Mayor, unappropriated surplus or unanticipated revenues.

Chapter 66 of the Laws of 2012 of the State, which amended the Phase I Act and subsequently was amended by the Phase II Act (“Chapter 66”), provides that any debt service on City notes and bonds attributable to the Rochester CSD under the Rochester Schools Act shall not be included in the calculation of the City’s maintenance of effort obligation under subsection 5-b of Section 2576 of the State Education Law. Under Section 2576, debt service on City notes and bonds attributable to the Rochester CSD is a factor in determining the “city amount” which must be expended for Rochester CSD purposes. Increases in debt service increase the City’s maintenance of effort. But for the provisions of Chapter 66, the City’s maintenance of effort obligation to the Rochester CSD would increase due to the debt service on the Phase I Bonds and the Phase II Bonds. The legislation provides that the “city amount” cannot be increased from one fiscal year to the ensuing fiscal year by virtue of such debt service.

### *Charter Schools*

Pursuant to the New York Charter Schools Act of 1998, as amended, the Rochester CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 1,947 students in the 2003-04 school year to 6,225 students as of April 1, 2020. The Rochester CSD expects charter school enrollment of City residents to increase to 6,707 students in 2020-21. This increase is attributable to continued growth of enrollment in existing charter schools. In 2003-04, charter school funding was \$8,181 per student (totaling \$16 million for basic tuition and an estimated additional \$0.7 million for special education funding) for a total of approximately \$16.7 million. Total payments were approximately \$77.5 million and \$86.1 million in fiscal years 2017-18 and 2018-19, respectively. The 2019-20 funding rate is \$13,995 per student for basic tuition, including \$1,000 per student in supplemental funding. The budgeted amount for fiscal year 2019-20 is approximately \$87.7 million; as of April 1, 2020, total payments are projected to be approximately \$91.4 million (including \$87.0 million for basic tuition and an estimated \$4.4 million for special education funding). The budgeted amount for fiscal year 2020-21 in the Rochester CSD fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$95.8 million. Pursuant to State Education Department (“SED”) regulations, school districts, including the Rochester CSD, are eligible for an annual apportionment equal to the amount of the supplemental basic tuition paid to charter schools in the base year for the expenses incurred in the 2018-19, 2019-20 and 2020-21 school years. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD**” with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

In 2007, the State lifted the Statewide cap on the number of charter schools which may be established in the State. Enrollment in charter schools increased thereafter and is expected to continue to increase, but is difficult to project beyond fiscal year 2020-21. New charter schools are not subject to Rochester CSD approval, and while the cap on the number of charter schools has been raised statewide, additional requirements were added to the charter school approval process. It is unclear how these requirements will be interpreted by the State Board of Regents (the body vested with responsibility for determining and formulating State education policy) and what effect such requirements will have on the establishment of additional charter schools. See “—New York State Education Department” below and “**BONDHOLDERS’ RISKS—Competing Claims to State Aid—Contingent Claims—Charter School Delinquencies.**”

## *Revenues*

Under the State's 2020-21 Enacted Budget, the Rochester CSD has been provided an advance of future State Aid in the amount of \$35 million (the "2019-20 State Aid Advance") to be received by the Rochester CSD no later than May 20, 2020. The \$35 million advance will be recorded as revenue in the 2019-20 fiscal year and will be used to close the 2019-20 fiscal year budget gap; this funding does not represent an increase in the formula driven State aid in the State budgets and will be repaid over a 30-year period through a \$1,166,667 annual intercept of State aid each June. See "*—State Aid Advances*" below for a more detailed description of the procedure by which the 2019-20 State Aid Advance will be repaid.

On a budgetary basis, as of April 1, 2020, the Rochester CSD expects to end its fiscal year on June 30, 2020 with general fund revenues and other financing sources exceeding general fund expenditures and other financing uses by approximately \$8.9 million, including the 2019-20 State Aid Advance. As of April 1, 2020, there is no planned use of reserves for fiscal year 2019-20. Therefore on a GAAP basis, as of April 1, 2020, the Rochester CSD anticipates closing the 2019-20 fiscal year with an operating surplus of \$8.9 million. As of April 1, 2020, the Rochester CSD expects to end its fiscal year on June 30, 2020 with an unassigned fund balance of approximately \$0 (unaudited).

The Rochester CSD completed fiscal year 2018-19 with expenditures and other uses exceeding revenues and other financing sources by \$42.4 million in the general operating fund, as determined in accordance with GAAP. This compares with a \$16.2 million deficit in the general operating fund in fiscal year 2017-18 and \$5.0 million deficit in 2016-17. At June 30, 2019 the non-spendable fund balance for prepayments was \$0.4 million; the restricted fund balance for debt service was \$15.7 million. The unassigned fund balance was \$(8.9) million.

The Rochester CSD depends on substantial financial assistance from the State. The total amount of State Aid for all funds which the Rochester CSD received was \$680.6 million for fiscal year 2018-19 (excluding SSBA funding), \$661.5 million for fiscal year 2017-18, \$636.5 million for fiscal year 2016-17, \$592.5 million for fiscal year 2015-16 and \$550.2 million for fiscal year 2014-15. For fiscal year 2019-20, the Rochester CSD budgeted a total amount of \$711.4 million in State Aid for all funds, and as of April 1, 2020 expects receipt of approximately \$705.1 million in fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding). This projection for the 2019-20 fiscal year is based upon the sum of: (i) a \$643.7 million apportionment to the Rochester CSD for operations and maintenance expenses; (ii) \$60.8 million in projected receipts of State grant funding; and (iii) \$0.6 million in projected receipt of food service funding. No assurance can be given that State Aid for all funds actually received by the Rochester CSD in its 2019-20 fiscal year will equal the amounts estimated above, but the Rochester CSD believes that this estimate of State Aid for all funds is reasonable based on prior year State Aid receipts. The Rochester CSD received \$7.8 million of SSBA funding in fiscal year 2018-19, and as of April 1, 2020 expects receipt of approximately \$6.3 million in fiscal year 2019-20.

Based on the State's 2020-21 Enacted Budget for fiscal year 2020-21, the Rochester CSD anticipates it will receive initially a total amount of \$691.1 million in State Aid for all funds, which represents a decrease of \$13.9 million from the amount of total State Aid for all funds projected to be received in fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding). For fiscal year 2020-21, the amount of State Aid for all funds that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$707.3 million. Any difference between the State's 2020-21 Enacted Budget and the amount budgeted by Rochester CSD is attributable to non-formula items such as tuition for homeless, incarcerated and deaf students and special legislative aid. See "*SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

See generally, “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*”.

#### *Employee Contracts*

Three employee contracts for the five bargaining units representing the employees of the Rochester CSD are in place for the 2019-20 fiscal year. The contracts of two bargaining units expired as of June 30, 2019.

The following chart describes the Rochester CSD unions, approximate number of employees represented as of April 1, 2020 and the present agreement expiration dates.

<u>Union</u>	<u>Number of Employees</u>	<u>Expiration Date</u>
Board of Education Non-Teaching Employees (BENTE) Union Local 2419	1,255	6/30/21
Rochester Association of Paraprofessionals	750	6/30/21
Rochester Teachers Association (NYSUT/AFT, NEA & AFL/CIO)	3,247	6/30/19 <sup>(1)</sup>
The Association of Supervisors and Administrators of Rochester Per Diem Substitute Teachers Unit of the Rochester Teachers Association (NYSUT/AFT-AFL/CIO)	361	6/30/19 <sup>(1)</sup>
Exempt	985	6/30/20 <sup>(1)</sup>
	35	N/A

Source: Rochester CSD, Labor Relations.

<sup>(1)</sup> Contract currently in negotiations.

#### *Pension and Post-Retirement Obligations*

In 2015, the Governmental Accounting Standards Board (“GASB”) released new accounting standards for public Other Post-Employment Benefits (“OPEB”) plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. The Rochester CSD implemented GASB 75 for the fiscal year ended June 30, 2018. The implementation of this statement requires school districts to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement No. 45, which also required the Rochester CSD to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Prior to GASB 75, GASB Statement No. 45 (“GASB 45”) required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covered accounting for pensions, GASB 45 did not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) was determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the

year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. In adopting the requirements of GASB 45 during the year ended June 30, 2006, the City recognizes the cost of post-employment 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.

The Rochester CSD had an actuarial evaluation performed in accordance with GASB 45 that disclosed an accrued net OPEB liability of \$207.7 million as of June 30, 2015, \$230.6 million as of June 30, 2016 and \$256.3 million as of June 30, 2017. The Rochester CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed a total OPEB liability \$842.9 million as of June 30, 2018 and \$856.7 million as of June 30, 2019.

### *Oversight*

The State's 2020-21 Enacted Budget contains legislation providing for the appointment by the Commissioner of Education of a monitor to provide oversight, guidance and technical assistance related to the educational and fiscal policies, practices, programs and decisions of the Rochester CSD, the Board of Education and the Superintendent. The monitor's duties would include, among others, conducting public hearings relating to various aspects of the Rochester CSD, developing future financial and academic plans in conjunction with the Board of Education and the Superintendent, and reviewing and making recommendations for future budgets of the Rochester CSD.

### *State Aid Advances*

In September of 2019 the Rochester CSD disclosed a budget deficit for the Rochester CSD's 2018-19 fiscal year ending June 30, 2019. The Rochester CSD worked with state and local officials to request additional State funding to reimburse that 2018-19 budget deficit. Under the State's 2020-21 Enacted Budget, the Rochester CSD may request the \$35 million 2019-20 State Aid Advance no later than May 11, 2020. The Rochester CSD submitted its request for the 2019-20 State Aid Advance to the Commissioner of Education on April 28, 2020. The State's 2020-21 Enacted Budget provides that the 2019-20 State Aid Advance will be paid to the Rochester CSD no later than May 20, 2020. The Rochester CSD also may request additional advances of State Aid in each of the fiscal years 2020-21 through 2048-49 (the "Future State Aid Advances" and, collectively with the 2019-20 State Aid Advance, the "State Aid Advances") in declining amounts. The Future State Aid Advances are payable to the Rochester CSD by June 30 of each fiscal year. Payment to Rochester CSD of the Future State Aid Advances is subject to the Rochester CSD's submission of timely applications to the Commissioner of Education and to its compliance with the Reporting Obligation (as defined in the succeeding paragraph). The State Aid Advances are required to be used for services and expenses of the Rochester CSD and applied to support its educational programs and any liability incurred by the Rochester CSD in carrying out its functions and responsibilities. The Rochester CSD is required to repay the 2019-20 State Aid Advance (the "Repayment Obligation"). The net financial effect of the Future State Aid Advances and the Repayment Obligation is that the Rochester CSD will repay the 2019-20 State Aid Advance in equal payments in each of the 2020-21 through 2048-49 fiscal years. If the Rochester CSD does not timely

submit an application for Future State Aid Advances and/or fails to comply with its Reporting Obligations, the Rochester CSD may not receive the Future State Aid Advances and would be required to repay the balance of its Repayment Obligation in full in such year.

To monitor use of the State Aid Advances, the Rochester CSD must prepare monthly and quarterly reports (the “Reporting Obligation”). Through June 2050, the Rochester CSD must prepare and submit to the Board of Education a monthly report detailing the fiscal condition of the Rochester CSD, which must include the most current available data on fund balances and the Rochester CSD’s use of the State Aid Advances. Upon approval by the Board of Education, the report must be submitted to the Commissioner of Education and the State Comptroller. Through the 2048-49 school year, the Rochester CSD’s chief fiscal officer must prepare a quarterly report, within sixty days after the end of each quarter, of summarized budget data depicting overall trends of actual revenues and budget expenditures for the entire budget as well as individual line items and include a recommendation to the Board of Education on any remedial actions necessary to resolve any unfavorable budget variance. The quarterly reports must be submitted to the Board of Education, the State Division of Budget, the Office of the State Comptroller, the Commissioner of Education, the Chair of the Assembly Ways and Means Committee and the Chair of the Senate Finance Committee.

#### *State Comptroller Examination*

In response to the disclosure of the budget deficit in the Rochester CSD’s fiscal year 2018-19 budget, the State Comptroller conducted an examination, a report of which was released in April 2020, of the fiscal year 2018-19 budget with the objectives of determining (1) whether the Rochester CSD’s 2018-19 adopted budget was realistic and structurally balanced based on historical or known trends, and (2) whether expenditures incurred were in compliance with adopted budget limitations. The State Comptroller found that the Rochester CSD neglected to use accurate estimates of appropriations to balance the 2018-19 budget, that the Rochester CSD failed to adopt a structurally balanced budget and did not follow its fund balance policy, that Rochester CSD spent beyond established budget limitations and that the Rochester CSD lacks a comprehensive multiyear financial plan. The State Comptroller recommended that the Rochester CSD develop and adopt structurally balanced budgets that: (1) include realistic estimates of revenues and appropriations based on historical trends or other known factors; (2) comply with the Rochester CSD’s fund balance policy and include a plan to eliminate the fund balance deficit and restore and maintain minimum thresholds; and (3) contain comprehensive multiyear financial plans with goals and objectives for funding long-term operating needs. The Rochester CSD indicated that it agrees with and accepts the recommendations of the State Comptroller. The State Comptroller is currently reviewing the Rochester CSD’s fiscal year 2020-21 budget that will be submitted to the City Council for approval.

#### *U.S. Securities and Exchange Commission*

On September 20, 2019 the Rochester CSD disclosed it had incurred a significant budget gap for fiscal year 2018-2019, which had ended on June 30, 2019. On October 3, 2019 the City filed a voluntary continuing disclosure notice with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system in connection with the City’s revenue anticipation notes issued in August 2019. The City thereafter received a subpoena from the U.S. Securities and Exchange Commission. No other information is available at this time.

#### **The RJSCB**

The Rochester Joint Schools Construction Board, or the RJSCB, was created by the Rochester Schools Act. The RJSCB has been authorized under the Rochester Schools Act to manage the

acquisition, design, construction, reconstruction, renovation and financing of public educational facilities in the City, and to create and coordinate efforts to enable compliance with, monitor and report on, a program-wide diversity plan for the Program. The RJSCB has been authorized by the Rochester Schools Act and the Cooperative Agreement to assist in the acquisition, renovation, reconstruction, improvement, equipping and furnishing of public educational facilities in the City.

The RJSCB includes seven voting members: three are appointed by the Superintendent of the Rochester CSD; three are appointed by the Mayor of the City; and the seventh is appointed by mutual agreement by the Superintendent and Mayor. The RJSCB also includes the Independent Compliance Officer who serves as a non-voting member.

### **The Program Manager**

Pursuant to the Rochester Schools Act, the RJSCB is required to retain the services of a Program Manager to provide implementation assistance to the RJSCB in all aspects of Phase II of the Facilities Modernization Program. The Program Manager entered into a Program Management Agreement with the RJSCB effective December 15, 2015, as amended. Pursuant to such agreement, the Program Manager is required to provide construction consulting and oversight services for the RJSCB for all stages of planning, development and reconstruction of the Phase II Project. Specifically, the Program Manager has the duty to manage and oversee all aspects of the Phase II Project, to wit: (1) develop and implement procedures for projects undertaken and contracted for by the RJSCB; (2) review plans and specifications for such projects; (3) develop project budgets and assist the RJSCB in obtaining its financing for the Phase II Project, pursuant to the Rochester CSD's financing plan with estimates of total costs to be financed, method of financing, terms and conditions of the financing, the submission of reports and other information as requested to SED and the State Comptroller; (4) execute and manage a project labor agreement if required by the RJSCB; and (5) provide such planning, design, financing and other services as may be appropriate to implement one or more projects under the Rochester Schools Act.

### **New York State Education Department**

The management, regulation and funding of the Rochester CSD is subject to the review of SED. SED approved the Phase I Project and the aided cost allowance for the Phase I Project is currently estimated at approximately \$269.5 million. SED also has approved the Phase II Project, a portion of which is to be funded with the proceeds of the Series 2020 Bonds. The aided cost allowance for the Phase II Project is currently estimated to be approximately 93.1 percent. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid."

SED is the administrative agency of the Board of Regents (the "Board of Regents") of the University of the State of New York (the "University"). The Board of Regents was established by an act of the State Legislature in 1784 and is vested with constitutional responsibility for determining and formulating State educational policy. The University, over which the Board of Regents presides, is a corporation authorized to charter, review and regulate educational institutions and activities within the State.

The University encompasses all State educational programs, from kindergarten through graduate and professional schools and includes libraries, museums and other related cultural and educational institutions as may be admitted to the University or incorporated by the Board of Regents. It consists of more than 7,000 elementary and secondary public and private schools and approximately 250 independent and public colleges and universities.

## **THE ISSUER**

County of Monroe Industrial Development Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State. The Series 2020 Bonds are authorized and issued by the Issuer under the provisions of the Constitution and Laws of the State, particularly the Act and the Rochester Schools Act.

The members of the Issuer are appointed by the County Legislature of the County of Monroe, New York (the "County"). The Issuer has seven members.

THE SERIES 2020 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF THE COUNTY OR THE STATE OF NEW YORK AND NEITHER THE COUNTY NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURE. IN THE EVENT THE ROCHESTER CSD FAILS TO MAKE A SUBLEASE PAYMENT UNDER THE SUBLEASE AGREEMENT, IT IS PROVIDED IN THE ROCHESTER SCHOOLS ACT AND IN THE INDENTURE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE ROCHESTER CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH UNDER "THE ISSUER" AND "LITIGATION" (BUT ONLY WITH RESPECT TO THE ISSUER) HEREIN.

## **PLAN OF FINANCING**

The proceeds of the Series 2020 Bonds will be used to (i) finance the remaining portion of the Phase II Project; (ii) fund capitalized interest for the Series 2020 Bonds; and (iii) finance certain costs of issuance of the Series 2020 Bonds. Proceeds of the Series 2020 Bonds will be disbursed by the Trustee to pay a portion of costs of the Series 2020 Project based on requisitions submitted to the Trustee in accordance with the Indenture.

Capitalized interest will be deposited in the 2020 Interest Account of the Bond Fund under the Indenture and will be applied to the payment of a portion of the interest due on the Series 2020 Bonds.

## SOURCES AND USES OF FUNDS

### Sources of Funds

#### Series 2020 Bonds

Principal Amount of Series 2020 Bonds	\$ _____
[Net] Original Issue [Premium][Discount]	_____
Total Sources of Funds	\$ _____

### Uses of Funds

#### Series 2020 Project Costs

Capitalized Interest <sup>(1)</sup>	\$ _____
Costs of Issuance <sup>(2)</sup>	_____
Project Related Costs	_____
Total Uses of Funds	\$ _____

<sup>(1)</sup> Interest due through and including \_\_\_\_\_, 20\_\_.

<sup>(2)</sup> Includes fees and expenses of New York State bond issuance charge, underwriters' discount and certain other costs, including certain costs of issuance related to the Series 2020 Bonds.

## THE SERIES 2020 BONDS

### General

The Series 2020 Bonds will be issued in fully-registered form without coupons.

The Series 2020 Bonds will be dated, mature on the respective dates and in the respective principal amounts, and bear interest payable on the dates and at the respective annual rates, as set forth on the inside cover page.

Interest on the Series 2020 Bonds will be payable on each Interest Payment Date and will be computed on the basis of a 360-day year of twelve 30-day months. Notwithstanding anything herein to the contrary, the interest rate borne by the Series 2020 Bonds will not exceed the maximum permitted by, or enforceable under, applicable law.

The principal or Redemption Price of the Series 2020 Bonds will be payable at the principal corporate trust office of the Trustee in New York, New York. Interest on the Series 2020 Bonds will be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof on the Record Date (as defined in the related Series Indenture) immediately preceding the Interest Payment Date (i) by check or draft mailed on the Interest Payment Date to the registered owner or (ii) by wire or bank transfer on the Interest Payment Date to any owner of at least \$1,000,000 in aggregate principal amount of the Series 2020 Bonds, upon written notice provided by the owner to the Trustee not later than five (5) days prior to the Record Date for such interest payment (which request will remain in effect until revoked); except that, if and to the extent there exists a default in the payment of the interest due on any Interest Payment Date with respect to the Series 2020 Bonds, the defaulted interest will be paid to the owners in whose names the Series 2020 Bonds are registered at the close of business on a special record date to be fixed by the Trustee, which date will not be more than fifteen (15) nor less than ten (10) days next preceding the date of payment of the defaulted interest. Interest payments made by check or draft will be mailed to each owner at the owner's address as it appears on the registration books of the Trustee on the applicable Record Date or at such other address as the owner may have filed with the Trustee for that purpose and appearing on the registration books of the Trustee on the applicable

Record Date. Wire transfer payments of interest will be made at such wire transfer address as the owner will specify in the owner's notice requesting payment by wire transfer.

### **Exchange of Series 2020 Bonds**

The holders of any Series 2020 Bonds may surrender the same, at the principal corporate trust office of the Trustee, in exchange for an equal aggregate principal amount of Series 2020 Bonds of any of the authorized denominations of the same Series, maturity and maturities as the Series 2020 Bond or Series 2020 Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Indenture. However, the Trustee will not be required to (i) transfer or exchange any Series 2020 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series 2020 Bonds of such Series to be redeemed, or (ii) transfer or exchange any Series 2020 Bonds selected, called or being called for redemption in whole or in part.

### **Transfer of Series 2020 Bonds**

Each of the Series 2020 Bonds is transferable, as provided in the Indenture, only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the Trustee by the registered owner thereof in person, or by the owner's duly authorized attorney-in-fact, with a written instrument of transfer in the form appearing on such Series 2020 Bond duly executed by the registered owner or the owner's duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15, upon presentation of such Series 2020 Bond, and thereupon a new fully registered Series 2020 Bond in the same aggregate principal amount and maturity and same Series will be issued to the transferee in exchange therefor as provided in the Indenture and upon payment of the charges therein prescribed. The Issuer, the Rochester CSD, the Bond Registrar and the Trustee may deem and treat the person in whose name a Series 2020 Bond is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of, and interest on such Series 2020 Bonds and for all other purposes.

### **Redemption of the Series 2020 Bonds**

The Series 2020 Bonds maturing on or prior to May 1, 20\_\_ are not subject to optional redemption prior to the maturity thereof.

#### *Optional Redemption*

The Series 2020 Bonds maturing on or after May 1, 20\_\_ are subject to redemption, in whole or in part, at any time on or after May 1, 20\_\_ (but if in part in integral multiples of \$5,000), at the option of the Issuer (which option will be exercised upon the giving of notice by the Rochester CSD of its intention to prepay sublease payments due under the Sublease Agreement), at the Redemption Price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

### **Selection of Series 2020 Bonds to be Redeemed**

In the event of redemption of less than all the Outstanding Series 2020 Bonds and maturity for which there is more than one registered Bond, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, provided that Series 2020 Bonds to be redeemed from sinking fund payments shall be selected by lot. In the event

of redemption of less than all the Outstanding Series 2020 Bonds stated to mature on different dates, the principal amount of the Series 2020 Bonds to be redeemed shall be applied in such order of maturity as shall be directed by an Authorized Representative of the Rochester CSD delivered to the Trustee, or, in the absence of any such direction, inverse order of maturity of the Outstanding Series 2020 Bonds to be redeemed and randomly within a maturity. If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2020 Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

## **Procedures**

If any of the Series 2020 Bonds are to be called for redemption, the Indenture requires a copy of the redemption notice to be mailed at least thirty (30) days prior to such redemption date to the registered owner of each Series 2020 Bond to be redeemed at the address for such owner shown on the registration books. All Series 2020 Bonds so called for redemption will cease to bear interest after the date fixed for redemption if funds for their redemption are on deposit at the place of payment at that time. If notice of redemption will have been given as aforesaid, the Series 2020 Bonds called for redemption will become due and payable on the redemption date, *provided, however,* that with respect to any optional redemption as described above, such notice will state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of and interest on the Series 2020 Bonds to be redeemed, and that if such moneys will not have been so received said notice will be of no force and effect and the Issuer will not be required to redeem the Series 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. If a notice of redemption will be unconditional or, if the conditions of a conditional notice of redemption will have been satisfied, then upon presentation and surrender of Series 2020 Bonds so called for redemption at the place or places of payment, such Series 2020 Bonds will be redeemed.

So long as the Securities Depository is effecting book-entry transfers of the Series 2020 Bonds, the Trustee will provide the notices specified in the paragraph above only to the Securities Depository. It is expected that the Securities Depository will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2020 Bond (having been mailed notice from the Trustee, the Securities Depository, a Participant or otherwise), to notify the Beneficial Owner of the Series 2020 Bond so affected will not affect the validity of the redemption of such Series 2020 Bond.

## **Registration and Payment - Book-Entry System**

Beneficial ownership interests in the Series 2020 Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership

interests in the Series 2020 Bonds will not receive certificates representing their interests in the Series 2020 Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered Series 2020 Bond certificates will be issued for each principal amount of the Series 2020 Bonds maturing on a specified date and bearing interest at a specified rate, each in the aggregate principal amount of such quantity of Series 2020 Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are

credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Bonds. For example, Beneficial Owners of Series 2020 Bonds may wish to ascertain that the nominee holding the Series 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2020 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2020 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption, distributions and interest payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

The Issuer and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2020 Bonds registered in its name for the purpose of payment of the principal of, or interest on such Series 2020 Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, registering the transfer of the Series 2020 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Trustee will not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2020 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Trustee) as being a registered owner, with respect to: the

accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Series 2020 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges provided in the Indenture; or other action taken by DTC as a registered owner. The Trustee will forward interest and principal payments to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2020 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE SERIES 2020 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Series 2020 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Series 2020 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2020 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE ISSUER, THE UNDERWRITERS, OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2020 BONDS.

NEITHER THE ISSUER, THE ROCHESTER CSD NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2020 BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE OR ANY OTHER AGREEMENT TO BE GIVEN TO HOLDERS OF THE SERIES 2020 BONDS; OR (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2020 BONDS.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS**

### **General**

#### *Ground Lease Facilities*

The City and the Rochester CSD have leased the Ground Lease Facilities to the Issuer pursuant to the Ground Lease. The Issuer has subleased its leasehold interest under the Ground Lease in the Ground Lease Facilities to the Rochester CSD under the Sublease Agreement. Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially all of its right, title and interest in and to State Aid and in and to the Sublease Agreement, including all rights to receive Sublease Payments thereunder.

#### *The State Aid Trust Agreement*

Under the State Aid Trust Agreement, the City, the Rochester CSD, the Depository Bank and the Trustee have agreed to direct the State Comptroller to pay all State Aid directly to the State Aid Depository Fund established and held under the State Aid Trust Agreement, all for the benefit on a Ratable Basis of the Phase I Bonds, the Phase II Bonds and any other Series of Project Bonds outstanding under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Trust Agreement.” In the event the Rochester CSD fails to make a lease payment under the Sublease Agreement, the Rochester Schools Act and the Indenture provide that, upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller will withhold any State Aid from the Rochester CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and will immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. See “—State Aid Intercept” below.

### **Ground Lease**

Pursuant to the Ground Lease, the City and the Rochester CSD have leased the Ground Lease Facilities to the Issuer. The original Ground Lease was entered into concurrently with the issuance of the Series 2012 Bonds. The Ground Lease will terminate when no bonds under the Indenture, including any of the Phase I Bonds, the Phase II Bonds and any series of Additional Bonds issued under the Indenture, remain Outstanding. All obligations of the Issuer under the Ground Lease are assumed by the Rochester CSD under the Sublease Agreement.

### **Sublease Agreement**

The Issuer has subleased its leasehold interest under the Ground Lease in the Ground Lease Facilities to the Rochester CSD pursuant to the Sublease Agreement. The Sublease Agreement provides the Rochester CSD with the right to use, occupy and operate the Ground Lease Facilities and obligates the Rochester CSD to maintain and manage the Ground Lease Facilities and pay all costs related to the Ground Lease Facilities.

### **Sublease Agreement Payments**

Sublease Payments due under the Sublease Agreement will provide for the payment of principal and interest due on the Series 2020 Bonds and are payable on each April 1. Notwithstanding the April 1 lease payment date under the Sublease Agreement, the Sublease Agreement provides that if the Rochester CSD fails to appropriate (whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise) by each November 10 on which the Phase I Bonds, the Phase II

Bonds and any series of Additional Bonds issued under the Indenture remain Outstanding, State Aid in an amount sufficient to pay the Sublease Payment due on the immediately succeeding April 1 (after taking into account any amounts on deposit in the Bond Fund of the Indenture and available on such November 10), then: (y) the Rochester CSD will promptly deliver written notice of such failure to appropriate to the Issuer and the Trustee and (z) the next succeeding April 1 payment date for the annual lease payment will instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual lease payment date; and if for any reason the lease payment due on such November 15 is not made by such date, any such failed payment will constitute a failure to make a payment under the Sublease Agreement for purposes of the Sublease Agreement, the Rochester Schools Act and the State Aid intercept implementing provisions of the Indenture.

Except for funds, investments and other amounts held under the Indenture, the Issuer has pledged no other assets to the payment of the Phase I Bonds and the Phase II Bonds, and except for the intercept of State Aid by the State Comptroller as herein described, it is anticipated that the Issuer's sole source of payment for the Phase I Bonds and the Phase II Bonds will be derived from Sublease Payments made by the Rochester CSD under the Sublease Agreement. The Rochester CSD's obligation to pay Sublease Payments under the Sublease Agreement is executory only to the extent of State Aid appropriated by the State and available to the Rochester CSD, and appropriated by the Rochester CSD to the payment of Sublease Payments under the Sublease Agreement. In the event State Aid is not appropriated to the Rochester CSD, the Rochester CSD will not be obligated to pay any amounts due under the Sublease Agreement; *provided, however,* the failure of the Rochester CSD for any reason, including a failure by the State or the Rochester CSD to appropriate State Aid (whether such failure on behalf of the Rochester CSD results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise), to appropriate State Aid to make a Sublease Payment is nevertheless deemed a failure to make a payment thereunder for purposes of such Sublease Agreement, the Rochester Schools Act, and the State Aid intercept implementing provisions of the Indenture. In the event State Aid is appropriated by the State to the Rochester CSD and the Rochester CSD does not appropriate such State Aid to make such Sublease Payments, the Trustee on behalf of the Issuer will direct the State Comptroller to intercept State Aid for the payment of such Sublease Payments. Subject to the foregoing limitation, the obligation of the Rochester CSD to pay Sublease Payments under the Sublease Agreement, and to perform its respective obligations thereunder, will be absolute and unconditional, and such Sublease Payments and other amounts will be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee, any purchaser of the Series 2020 Bonds, or any other person, and whether or not any or all of the Ground Lease Facilities are used or occupied by the Rochester CSD or are available for use or occupancy by the Rochester CSD. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19" and "—Appropriation of Sublease Payments by the Rochester CSD."

In order to protect the priority of the rights of the Trustee to State Aid under the Rochester Schools Act, the Rochester CSD has covenanted and agreed in the Sublease Agreement that it will not enter into any agreement, indenture or other instrument, including any Series Facilities Agreement in connection with a Series of Project Bonds under a Series Indenture, which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid under the Rochester Schools Act than the pledge effected pursuant to the Indenture. The foregoing covenant will not be deemed (x) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid on a parity with the pledge effected by the Issuer under the Indenture, (y) to require that any Series of Project Bonds issued under the Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as provided for in the Sublease Agreement, or (z) to restrict the issuance of general obligations of the City issued for Rochester CSD purposes entitled to the benefit of

Section 99-b of the State Finance Law. See “BONDHOLDERS’ RISK—Competing Claims to State Aid.”

In order to provide for its obligation to make payments under the Sublease Agreement, the Rochester CSD has agreed that its proposed expense budget for each ensuing Fiscal Year will include, either as a separate unit of appropriation or as an expenditure within a unit of appropriation, the amount of Sublease Payments due under the Sublease Agreement in such next Fiscal Year, *provided, however,* that any such appropriation will only be payable by the Rochester CSD to the extent State Aid is available therefor and is appropriated by the Rochester CSD for such purpose, *provided, however,* the failure of the Rochester CSD for any reason to make a Sublease Payment is nevertheless deemed a failure to make a payment thereunder for purposes of such Sublease Agreement, the Rochester Schools Act and the State Aid intercept implementing provisions of the Indenture. In addition, in furtherance of the foregoing, the Rochester CSD has agreed, pursuant to the Sublease Agreement, to comply with all requirements necessary to ensure receipt of State Aid over the term of the Sublease Agreement. See “BONDHOLDERS’ RISKS—Appropriation of Sublease Payments by the Rochester CSD,” “—Competing Claims to State Aid” and “—The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19.”

Upon the occurrence of an Event of Nonappropriation (*i.e.*, failure of the Rochester CSD to appropriate moneys sufficient to pay the Sublease Payments coming due under the Sublease Agreement in the next Fiscal Year, whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise) or an “event of default” under the Sublease Agreement, there is no acceleration of the obligation of the Rochester CSD to pay all future Sublease Payments under such Sublease Agreement. However, as described above, the Sublease Agreement provides that if the Rochester CSD fails to appropriate (whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise) by each November 10 on which the Phase I Bonds, the Phase II Bonds and any Additional Bonds issued under the Indenture remain Outstanding, State Aid in an amount sufficient to pay the sublease payment due on the immediately succeeding April 1 (after taking into account any amounts on deposit in the Bond Fund of the Indenture and available on such November 10), then, in that event, the sublease payment date for the next succeeding April 1, annual sublease payment will instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual sublease payment date.

### **State Aid Intercept**

Statutory provisions currently exist or may hereafter be enacted which permit State Aid otherwise payable to the Rochester CSD to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Trust Agreement with respect to Project Bonds, there is no stated priority for the various multiple State Aid diversion and intercept claims. See “BONDHOLDERS’ RISKS—Competing Claims to State Aid.”

In the event the Rochester CSD fails to make a Sublease Payment as a result of an Event of Nonappropriation or otherwise (whether such payment is due on April 1 of each year, or if applicable, November 15 of each year), pursuant to the Indenture, the Issuer has appointed the Trustee, as its agent, and the Issuer (acting through such Trustee) will, in accordance with the Rochester Schools Act and the applicable Indenture, certify such nonpayment to the State Comptroller. Such certification will specify the amount by which such payment will have been deficient. The Rochester Schools Act and the Indenture each provide that the State Comptroller will, upon receipt of such certification, withhold from the Rochester CSD any State Aid otherwise payable to the Rochester CSD to the extent of the amount so stated in such certification as not being made, and will immediately pay over to the Trustee, on behalf of

the Issuer, the amount so withheld. Such amounts will be applied by the Trustee to the payment of Sublease Payments under the Sublease Agreement in the priority set forth below under “The Indenture.” It is further provided in the Rochester Schools Act that (x) any amount of State Aid so paid by the State Comptroller will not obligate the State to make, nor entitle the Rochester CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Rochester Schools Act will be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State will not be obligated by the terms of the Rochester Schools Act to maintain State Aid at any particular level or amount. See “BONDHOLDERS’ RISKS—The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19.”

## **Indenture**

Pursuant to the Indenture, the Issuer has assigned to the Trustee substantially all of its right, title and interest in and to State Aid and the Sublease Agreement, including all rights to receive Sublease Payments to pay the principal of and interest on the Series 2020 Bonds, as the same become due, all to be made by the Rochester CSD pursuant to the Sublease Agreement and the State Aid Trust Agreement, and all executory only to the extent of State Aid, as provided above under the subheading “The Sublease Agreement”.

A portion of the Series 2020 Bond proceeds will be deposited in the Series 2020 Project Account of the Project Fund held under the Indenture. The amounts in the Series 2020 Project Account of the Project Fund will be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Series 2020 Bondholders until disbursed as provided in the Indenture. The Trustee will apply the amounts on deposit in the Series 2020 Project Account of the Project Fund to the payment, or reimbursement, to the extent the same have been paid by or on behalf of the Rochester CSD, of Project Costs for the Series 2020 Project. Pursuant to the Indenture, the Trustee is authorized to disburse from the Series 2020 Project Account of the Project Fund the amount required for the payment of Project Costs for the Series 2020 Project and is directed to issue its checks (or make wire transfers if requested by the Rochester CSD) for each disbursement from the Series 2020 Project Account of the Project Fund, upon a requisition submitted to the Trustee, signed by an authorized representative of the Program Manager and approved by an authorized representative of the Rochester CSD. In the event the Rochester CSD will be required to or will elect to cause the Series 2020 Bonds to be redeemed in whole, the balance in the Series 2020 Project Account of the Project Fund will be deposited in the Bond Fund under the Indenture for application to the redemption of Series 2020 Bonds.

Notwithstanding the occurrence of an Event of Default under the Indenture, in no event will the Series 2020 Bonds be accelerated or declared due and payable in advance of their final stated maturity.

In the event the amount of State Aid received by the Trustee pursuant to the State Aid intercept will be insufficient to pay the full amount not paid by the Rochester CSD under the Sublease Agreement, such amount will be ratably applied in accordance with the Indenture in the following order of priority:

*first*, to deposit in the Interest Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

*second*, to deposit in the Principal Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

*third*, to deposit in the Redemption Account of the Bond Fund established under the Indenture to the extent of any deficiency therein,

*fourth*, to satisfy any indemnification obligations of the Rochester CSD under the Sublease Agreement,

*fifth*, to satisfy any liability insurance obligations of the Rochester CSD under the Sublease Agreement, and

*sixth*, to satisfy any other obligations of the Rochester CSD under the Sublease Agreement.

#### *The Pledge to the Trustee*

In order to protect the pledge of State Aid by the Issuer to the Trustee pursuant to the Indenture, except with respect to the issuance of Project Bonds under a Series Indenture, the Issuer has covenanted in the Indenture not to create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the respective Trust Estate, except the lien, charge and pledge created in the case of the Trust Estate with respect to the Phase I Bonds and the Phase II Bonds, by the Indenture, the Ground Lease and the Sublease Agreement. The Issuer further covenants and agrees pursuant to the Indenture, that it will enter into no agreement, indenture or other instrument, including any Series Indenture or Series Facilities Agreement in connection with the issuance of a Series of Project Bonds under a Series Indenture which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid under the Rochester Schools Act than the pledge effected pursuant to the Indenture; *provided, however*, that nothing contained in the Indenture will be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid under the Rochester Schools Act on a parity with the pledge effected under the Indenture, or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as those under the Sublease Agreement.

#### **Additional Bonds**

So long as the Sublease Agreement is in effect and no Event of Default exists thereunder, one or more series of Additional Bonds may be issued, authenticated and delivered upon original issuance under the Indenture for the purpose of (i) financing School Facilities in connection with the Program, (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain, or (iii) providing extensions, additions, improvements or facilities to one or more Facilities, the purpose of which will be to constitute a “project” and an “educational facility” within the meaning of the Act and the Rochester Schools Act. Such series of Additional Bonds will be payable from the base Sublease Payments under the Sublease Agreement. Prior to the issuance of a series of Additional Bonds under the Indenture and the execution of a Supplemental Indenture in connection therewith, the City, the Rochester CSD and the Issuer will enter into an amendment to the Ground Lease, if necessary, to subject the additional facilities, as applicable, to the leasehold estate thereof, and the Issuer and the Rochester CSD will enter into an amendment to the Sublease Agreement to subject such additional facilities thereto, and to provide, among other things, that the base Sublease Payments payable under the Sublease Agreement will be increased and computed so as to amortize in full the principal of and interest on the bonds outstanding under the applicable Indenture, including such series of Additional Bonds. In addition, the Rochester CSD and the Issuer will enter into a new Tax Certificate.

## **State Aid Trust Agreement**

To facilitate the collection of State Aid and payment of Sublease Payments under the Sublease Agreement, the Depository Bank, the City, the Trustee and the Rochester CSD have entered into the State Aid Trust Agreement. In accordance with the State Aid Trust Agreement, the City and the Rochester CSD have instructed the State Comptroller to pay all State Aid directly to the State Aid Depository Fund held by the Depository Bank under the State Aid Trust Agreement. The State Aid Trust Agreement provides for the payment of State Aid to the Trustee on a Ratable Basis pursuant to which Project Bonds are outstanding under a Series Indenture.

On or before July 15 of each Fiscal Year, the Collecting Officer and the Chief Financial Officer shall prepare and deliver to the Depository Bank a certificate for such Fiscal Year (the “State Aid Payment Certificate”), setting forth (i) a statement that (A) the Rochester CSD has appropriated an amount of State Aid Revenues necessary to fund the Rochester CSD’s Aggregate Facilities Payment Obligations payable in such Fiscal Year, as calculated as of the date of such statement, (B) the City Council has approved the Rochester CSD’s budget containing such appropriation or has otherwise caused or permitted such appropriation to become effective, and (C) all other conditions precedent to the effectiveness of said appropriation have been satisfied and (ii) the total amount of State Aid Revenues expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period. However, if the events described above in (i)(A), (B) and (C) of this paragraph have not occurred for such Fiscal Year, the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect, and shall not include any information regarding the collection of State Aid Revenues during the Collection Period.

On or before November 10 of each Fiscal Year, the Trustee will prepare and deliver to the City, the Rochester CSD and the Depository Bank a certificate (the “Base Facilities Agreement Payment Certificate”) setting forth the Net Base Facilities Agreement Payment (computed as of November 10 of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

During each Collection Period, if the Depository Bank has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository Bank will, immediately upon receipt of any payment of State Aid, withdraw such State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) *first*, to the Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period will equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Agreement Payment due the immediately following April 1 as set forth in the Base Facilities Agreement Payment Certificate most recently received by the Depository Bank, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited; and

(ii) *second*, thereafter during each month of such Collection Period, to the General Fund.

In the event that any amount on deposit in the State Aid Depository Fund in any month of the Collection Period, at any time, will be less than the amount required to be paid to the Trustee under clause (i) above, the Depository Bank will make payment to the Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, “Ratable Basis” will be computed based on

amounts payable to the Trustee under clause (i) above if there is not enough in the State Aid Depository Fund to pay to the Trustee what is payable under clause (i) above.

Thereafter, from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid, the Depository Bank will withdraw such State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

If the Depository Bank has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statement required by clause (i) of the first sentence of the second paragraph under this sub-heading, the Depository Bank, both during and after such Collection Period until the next Collection Period, will withdraw any State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

Notwithstanding the provisions of the State Aid Trust Agreement providing for the flow of State Aid to the Trustee, if the Depository Bank receives written instructions from the Chief Financial Officer of the City, together with an accompanying monthly payment schedule from the Chief Financial Officer of the City indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule of the outstanding revenue anticipation notes issued by the City in anticipation of the receipt of State Aid (the “RAN Repayment Requirement”), then each month the Depository Bank will immediately withdraw from the State Aid Depository Fund all State Aid that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Trust Agreement, to the special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid.

Although the State Aid Trust Agreement requires an immediate transfer of State Aid from the State Aid Depository Fund to the Bond Fund established under the Indenture during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indenture and are not pledged as security for the payment of the Series 2020 Bonds until such amounts have been transferred by the Depository Bank to the Trustee and deposited in the Bond Fund. See “BONDHOLDERS’ RISKS—State Aid Trust Agreement.”

Nothing will prevent the Rochester CSD, the City, the Depository Bank or the Trustee from adopting amendments modifying the procedures set forth in the State Aid Trust Agreement for the collection, deposit and disbursement of State Aid, without the consent of any other party; *provided, however,* that (i) prior to making any such change, the Rochester CSD will notify each Rating Agency of such change and that prior to any such change there will have been delivered to the Depository Bank a rating confirmation of each Rating Agency that the then current unenhanced rating of the Phase I Bonds, the Phase II Bonds or any other Series of Project Bonds will not be withdrawn or reduced as a result of such change, (ii) any change or alteration in the procedure for the collection and deposit of State Aid would not result in insufficient State Aid being available to timely pay Facilities Payment Obligations in accordance with the terms of the State Aid Trust Agreement, and (iii) prior to making any such change, the Rochester CSD will obtain an opinion of nationally recognized bond counsel to the effect that such modification will not result in the loss of the exclusion of interest on any Bonds that was excludable immediately prior to such modification.

Currently, State Aid for the general fund is being paid by the State Comptroller to the State Aid Depository Fund. State Aid for the general fund has totaled \$507.6 million, \$539.3 million, \$570.3

million, \$593.6 million and \$618.4 million in fiscal years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 respectively. As of April 1, 2020, the Rochester CSD expects to receive approximately \$643.7 million in State Aid for the general fund in fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding), and the amount that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$648.3 million. State Aid for the general fund does not include certain State Aid for special aid funds, which has totaled \$42.0 million, \$52.7 million, \$65.6 million, \$67.4 million and \$61.7 million in fiscal years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, respectively. As of April 1, 2020, the Rochester CSD expects to receive approximately \$60.8 million in State Aid for special aid funds in fiscal year 2019-20, and the amount that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$58.5 million. State Aid for the general fund also does not include certain State Aid for the school food service fund, which totaled \$0.5 million in each of the five past fiscal years from 2014-15 through 2018-19. As of April 1, 2020, the Rochester CSD expects to receive approximately \$0.6 million in State Aid for the school food service fund in fiscal year 2019-20, and the amount that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$0.5 million. As a result of nonpayment by the City or the Rochester CSD under the Sublease Agreement, State Aid for the general fund would be withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act. In addition, State Aid for all funds may be available to be withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act. See "THE SERIES 2020 BONDS—State Aid—State Aid Categories Generally" and "BOND HOLDERS' RISKS—Categories of State Aid Paid to Depository Bank; Categories of State Aid to be Withheld in the Event of Nonpayment Under the Sublease Agreement." See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS —State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

### **Timing of Payments under State Aid Trust Agreement**

In order to assure the timely payment of debt service on the Phase I Bonds and the Phase II Bonds, the City and the Rochester CSD have agreed during each year to certify certain information to the Depository Bank, and the Rochester CSD has directed the Depository Bank to pay certain amounts to the Trustee in advance of the payment of debt service on the Series 2020 Bonds. On or before July 15 of each Fiscal Year, the City and the Rochester CSD are required to certify to the Depository Bank under the State Aid Trust Agreement (i) that the Rochester CSD has appropriated funds necessary to pay the annual Sublease Payments under the Sublease Agreement due on the next succeeding April 1 and (ii) the State Aid expected to be received by the Rochester CSD during the next succeeding December 1 to March 31. In the event the Rochester CSD will not have appropriated such amount, the foregoing certificate will state that the appropriation has not been made. On or before November 10 of each year, the Trustee will prepare and deliver to the City, the Rochester CSD and the Depository Bank a certificate setting forth the Net Base Facilities Agreement Payment due on the following April 1. On a monthly basis beginning on December 1 through the next succeeding March 31 the Depository Bank will, in accordance with the State Aid Trust Agreement, transfer a portion of State Aid to the Trustee sufficient to pay the annual Sublease Payments under the Sublease Agreement due on the next succeeding April 1. In the event payments made by the Depository Bank to the Trustee during the preceding December 1 to March 31 are not sufficient to pay the annual Sublease Payments under the Sublease Agreement due on April 1, the Trustee will immediately certify such deficiency to the State Comptroller. The State Comptroller is then required to pay such amounts to the Trustee in accordance with the State Aid intercept provisions of the Indenture and the Act in order to provide payment of debt service on the Phase I Bonds and the Phase II Bonds on the next succeeding May 1 and November 1.

## **State Aid**

### *Enacted 2020-21 State Budget*

The State's 2020-21 Enacted Budget includes a year-to-year funding increase for State aid of \$95.0 million or .035% percent. Foundation Aid to school districts is frozen at the same level as the 2019-20 fiscal year; while other aids, calculated according formulas in current law, are responsible for the increase. It should be noted that there was an actual year-to-year decrease of State aid implemented through a reduction of each school district's State aid allocation from the 2019-20 year. The reduction is being referred to as a "Pandemic Adjustment". However, the decrease in State aid is expected to be fully offset by an allocation received by the State of funds from the recently approved federal stimulus bill. Absent the federal stimulus funds, there would have been a \$1.127 billion decrease in State aid from the 2019-20 year. In addition, the State's 2020-21 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. The proposed reductions would be shared with the Legislature, which would then have 10 days to prepare and adopt their own plan. If the Legislature does not do so, the Budget Director's proposed reductions would go into effect automatically. Any future reductions in State Aid could reduce the actual amount of State Aid received by the Rochester CSD in the 2020-21 fiscal year. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19".

### *Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*

Under State law the Rochester CSD is required to adopt a balanced budget for each fiscal year ending June 30. The Rochester CSD submitted its budget for the 2019-20 fiscal year for approval by the City Council and the City Council approved the Rochester CSD's 2019-20 budget without change. The Rochester CSD's 2019-20 budget totals approximately \$931.3 million, a 1.7% increase over the 2018-19 budget. The Board of Education approved the Rochester CSD's fiscal year 2020-21 budget on May 7, 2020, and the Rochester CSD will submit its budget for the 2020-21 fiscal year for approval by the City Council in June 2020. The Rochester CSD's proposed budget totals approximately \$927.6 million, a 0.4% decrease from the 2019-20 budget. The City Council has traditionally approved the Rochester CSD's submitted budget without change; however, no assurance can be given as to the approval by the City Council of the budget submitted by the Rochester CSD for the 2020-21 fiscal year.

### *State Aid Intercept*

As stated above under "State Aid Intercept," in the event the Rochester CSD fails to make a sublease payment under the Sublease Agreement, the Rochester Schools Act and the Indenture provide that upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller will withhold any State Aid from the Rochester CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and will immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The Rochester Schools Act provides that (x) any amount of State Aid paid by the State Comptroller will not obligate the State to make, nor entitle the Rochester CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Rochester Schools Act will be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State will not be obligated by the terms of the Rochester Schools Act to maintain State Aid at any particular level or amount. No assurance can be given that present State Aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State Aid (the only source of funds to make the Sublease Payments payable by the Rochester CSD pursuant to the Sublease Agreement) could have a material adverse effect

upon the Rochester CSD, requiring the Rochester CSD to either increase revenues from sources other than State Aid or curtail expenditures.

*State Aid Categories Generally*

State Aid for public schools comes primarily from the State's general fund wherein the major revenue source is State income and sales taxes. The balance of State Aid for public schools comes from a special revenue fund account supported by lottery receipts.

The following table sets forth the total amount of State Aid received by the Rochester CSD for all funds for fiscal years 2013-14 through 2018-19, as well as State Aid projected to be received in fiscal year 2019-20<sup>(3)</sup> and State Aid expected to be received in fiscal year 2020-21<sup>(4)</sup>.

<b>State Aid (All Funds) Rochester CSD Fiscal Years 2014 through 2021</b>	
<b>Fiscal Year Ending June 30</b>	<b>State Aid Received (\$ in Millions)</b>
2014 <sup>(1)</sup>	514
2015	550
2016	592
2017	636
2018	661
2019 <sup>(2)</sup>	681
2020 <sup>(3)</sup>	705
2021 <sup>(4)</sup>	707

Source: Rochester CSD Finance Office.

<sup>(1)</sup> Excludes \$16 million of EXCEL grant aid.

<sup>(2)</sup> Excludes SSBA funding.

<sup>(3)</sup> Projected as of April 1, 2020, excludes the 2019-20 State Aid Advance and SSBA funding.

<sup>(4)</sup> Budgeted, excludes SSBA funding.

The aggregate of estimated maximum annual Sublease Payments with respect to all Project Bonds outstanding and the Series 2020 Bonds is approximately \$61.5 million.\*

The total amount of State Aid for all funds received by the Rochester CSD in fiscal year 2018-19 was \$680.6 million, excluding SSBA funding. The total amount of State Aid for all funds budgeted by the Rochester CSD for fiscal year 2019-20 was \$711.4 million, excluding SSBA funding. As of April 1, 2020, however, the Rochester CSD expected to receive approximately \$705.1 million in fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding). Based on the State's 2020-21 Enacted Budget for fiscal year 2020-21, the Rochester CSD anticipates it will receive initially a total amount of \$691.1 million in State Aid for all funds, which represents a decrease of \$13.9 million from the amount of

---

\* Preliminary, subject to change.

total State Aid for all funds expected to be received in fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding). For fiscal year 2020-21, the amount of State Aid for all funds that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$707.3 million, excluding SSBA funding. Differences between the State's 2020-21 Enacted Budget and the Rochester CSD budgeted amount are generally attributable to non-formula items such as tuition for homeless, incarcerated and deaf students and special legislative aid. Actual State Aid Revenue received by the Rochester CSD has averaged approximately \$624.2 million per year over the past five completed fiscal years, through and including fiscal year 2018-19, excluding SSBA funding. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

During the Collection Period from December 1 until March 31 of each fiscal year, the Rochester CSD received State Aid receipts for the general fund of \$317.8 million in fiscal year 2015-16, \$342.6 million in fiscal year 2016-17, \$361.1 million in fiscal year 2017-18 and \$372.2 million in fiscal year 2018-19 (all on an unaudited cash flow basis), and as of April 1, 2020, the Rochester CSD expects to receive \$378.7 million during the Collection Period in fiscal year 2019-20. No assurance can be given that the amounts of State Aid received in past years will continue or be available in future fiscal years. The Rochester CSD projects that it will receive State Aid receipts during the 2020-21 Collection Period for the general fund of \$384.9 million. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19," and "—Categories of State Aid Paid to Depository Bank; Categories of State Aid to be Withheld in the Event of Nonpayment Under the Sublease Agreement" and "APPENDIX A—Comprehensive Annual Financial Report including Audited Financial Statements of the Rochester CSD for the Fiscal Year ended June 30, 2019."

Since the 2007-08 fiscal year, the majority of State Aid received by the Rochester CSD has been "Foundation Aid." Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State Aid determined in accordance with an application submitted to SED, which incorporates required data concerning district enrollment, attendance and approved expenditures. As a result of poor economic conditions affecting the State, no increase in Foundation Aid was received by the Rochester CSD in fiscal years 2009-10, 2010-11, or 2011-12. The Rochester CSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Enacted Budget and has since received increases each year, with the exception of 2020-21, which remains level. As of April 1, 2020, the Rochester CSD expected to receive Foundation Aid for its fiscal year 2019-20 in the amount of \$447.5 million (excluding the 2019-20 State Aid Advance), and the amount that is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$447.5 million. Foundation Aid may decline in the future and no assurance can be given that Foundation Aid (or any other categories of State Aid) will continue at current levels or will increase in the future. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19." See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. In addition, within Foundation Aid there are stipulations that the Rochester CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement, as outlined in the Contract for Excellence ("CFE"). For fiscal year 2019-20, the total CFE set-aside is \$29.2 million.

Another State Aid category, Charter School Transitional Aid, was established in the 2007-08 State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the Rochester CSD. The Rochester CSD received Charter School Transitional Aid in the amount of \$11.5 million in fiscal year 2014-15, \$15.1 million in fiscal year 2015-16, \$13.7 million in fiscal year 2016-17, \$15.2 million in fiscal year 2017-18 and \$13.2 million in fiscal year 2018-19. In its fiscal year 2019-20 budget, the Rochester CSD projected Charter School Transitional Aid in the amount of \$10.7 million, and as of April 1, 2020 expects to receive aid in the amount of \$10.7 million in fiscal year 2019-20. Under the Enacted 2020-21 State Budget, Charter School Transitional Aid is budgeted at \$5.1 million for fiscal year 2020-21. This aid continues on a rolling basis so long as charter school enrollment continues to increase.

In addition to Charter School Transitional Aid, beginning with the fiscal year 2015-16, the State established another aid category called Charter School Supplemental Tuition Reimbursement, which reimburses the Rochester CSD for any amounts in base tuition paid in the prior year that exceed the 2010-11 base tuition of \$12,090 per pupil. In 2018-19 this aid was \$5.7 million or \$1,000 per charter school pupil and in 2019-20 this aid was budgeted to be \$6.1 million or \$1,000 per charter school student. In 2020-21 this aid is included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval at \$6.2 million or \$1,000 per charter school pupil. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

The Rochester CSD receives State Aid for education in several installments paid to the City throughout its fiscal year based on a formula established by SED. These installments of State Aid are paid net of the Rochester CSD's contribution to the New York State Teachers' Retirement System.

Since the 2015-16 school year, the payment of State Aid to school districts, including the Rochester CSD, has been linked to compliance with a modified teacher evaluation process. School districts will not be eligible for aid unless by September 1 of each year, the school district demonstrates that it has fully implemented the standards and procedures for conducting annual teacher and principal evaluations in accordance with the requirements of Section 3012-d of the Education Law. The Rochester CSD developed a teacher evaluation process for each of the 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 fiscal years that was compliant with Education Law Section 3012-d.

In addition, the State may withhold aid if the Rochester CSD fails to meet the deadline for submitting its independent audit report to the SED. Pursuant to Section 2116-a of the Education Law, the Rochester CSD must file such report no later than January 1<sup>st</sup>, however, the State has granted school districts a 30-day "grace period" before aid is withheld. The Rochester CSD timely filed its report for fiscal year 2018-19 in December 2019.

The State's 2018-19 Enacted Budget included a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid is required to annually report its budgeted support for individual schools within the school district and, in 2019-20, this requirement expanded to all school districts with at least four schools, regardless of State aid. The report must follow a format developed by the State Division of Budget ("DOB") in consultation with SED. In 2020-21, the requirement will apply to all school districts in the State. This report is due to the State by the beginning of the school year, and the State has 30 days to respond. While DOB or SED does not formally approve a school district's school-based budget, DOB and SED have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to

individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district's State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district has 30 days to "cure" the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, is authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this legislation, beginning with the 2018-19 school year, the Rochester CSD is required to annually report its budgeted support for individual schools. The Rochester CSD timely filed its reports for the 2018-19 and 2019-20 school years.

Payment of State Aid for education may be withheld due to the failure of the City or the Rochester CSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. The City and the Rochester CSD believe that they are in material compliance with all other requirements and have made the necessary debt service appropriations.

In addition to State Aid for education, the Rochester CSD receives federal Medicaid reimbursement for certain health services provided to students. The Rochester CSD received a total of \$2.2 million for Medicaid reimbursement in fiscal year 2015-16, \$2.3 million for Medicaid reimbursement in fiscal year 2016-17, \$3.2 million for Medicaid reimbursement in fiscal year 2017-18 and \$2.9 million for Medicaid reimbursement in fiscal year 2018-19. In fiscal year 2019-20, the Rochester CSD budgeted \$2.1 million and, as of April 1, 2020, expected to receive \$2.1 million for Medicaid reimbursement in fiscal year 2019-20. For fiscal year 2020-21, the amount of Medicaid reimbursement included in the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$2.1 million. Medicaid reimbursement amounts are not State Aid and are not available to pay debt service on the Phase I Bonds or the Phase II Bonds. See "*SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

#### *State Building Aid*

A portion of State Aid received each year by the Rochester CSD constitutes State Building Aid. State Building Aid is available for certain approved capital outlays and debt service for school buildings housing elementary and/or secondary students, and for school bus garages. A project is not eligible for State Building Aid unless the construction costs of the project are equal to or exceed \$10,000, excluding incidental costs. Consistent with Section 3602, subdivision 6 of the Education Law, construction may include new buildings, additions, alterations and reconstruction of existing facilities.

The purpose of State Building Aid is to assure that each school district provides for suitable and adequate facilities to accommodate the students and programs of the district. To this end, new facilities, new buildings, additions and major alterations must meet specific standards pertaining to the type, size and number of teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations and reconstruction of existing facilities must meet building code requirements.

The Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by the Rochester CSD. This charge is administered by the Office of

Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education.

Eligibility for new construction is determined through an assessment of information contained in the Rochester CSD's long-range plan, and includes educational need, a comparison of pupil enrollment projections, and the rated pupil capacity of existing buildings. In the case of school buildings, State Building Aid is a function of the pupil capacity assigned to the capital construction project. State Building Aid fluctuates from year to year based on a number of factors, including the ratio of the City's wealth to the State's average wealth. Chapter 92 of the Laws of 2016 of the State allows eight of the schools that are included in the Phase II Project to have multi-year cost allowances.

SED approved the Phase I Project and the aided cost allowance for the Phase I Project is currently estimated at approximately \$269.5 million. SED also has approved the Phase II Project, the remaining portion of which is to be funded with the proceeds of the Series 2020 Bonds. The aided cost allowance for the Phase II Project is currently estimated to be approximately 93.1 percent.

**The State is not obligated to continue to make State Building Aid payments. No assurance can be given that State Building Aid will continue to be received by the Rochester CSD or, if received, will be in amounts comparable to the amounts of State Building Aid received by the Rochester CSD in the past. State budgetary restrictions could eliminate or substantially reduce State Building Aid in the future. See "BONDHOLDERS' RISKS –The State's Financial Condition, Reduced State Aid, and Delayed Payment, COVID-19."**

Pursuant to Chapter 383 of the Laws of 2001 ("Chapter 383"), certain provisions of the Education Law were amended to impose an "assumed amortization schedule" with respect to certain debt incurred by the City related to school construction purposes ("School Debt") and to thereby revise the manner in which State Building Aid is to be paid to the Rochester CSD with respect to such school debt, commencing July 1, 2002. This legislation caused the City to refund and restructure a portion of its outstanding School Debt. Chapter 383 requires that the State Education Department reset the interest rate used to calculate the "assumed amortization schedule" at least once every 10 years. A school district may apply to SED for a waiver from the interest rate reset if it can demonstrate that it is precluded by State or federal law, rule or regulation from refinancing its outstanding bonds. The Rochester CSD applied for and received waivers from the interest rate reset for the 2019-20 and 2020-21 fiscal years. The City anticipates that it will refinance any School Debt that is subject to having the interest rate used to calculate the applicable assumed amortization schedule reset and that is eligible to be refinanced under State and federal law. To the extent that any such School Debt is not eligible to be refinanced under State and federal law, the Rochester CSD anticipates that it will apply for a waiver from SED. The likelihood of SED granting future waiver requests is unknown at this time.

Subject to certain limited exceptions, assumed amortization for capital construction projects approved by the Commissioner of SED on and after July 1, 2011, will begin the later of 18 months after SED approval or when the final cost report and certificate of substantial completion have been received by SED.

## New York State Budget Process

The following discussion is being included because all payments under the Sublease Agreement will be derived from State Aid, which State Aid is subject to annual appropriation by the State.

The State's budget process is based on an executive budget system under which the Governor is required by the State Constitution to seek and coordinate requests from agencies of State government,

develop a “complete” plan of proposed expenditures and the revenues available to support them (a “balanced budget”), and submit a budget to the Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor also is required by the State Finance Law to manage the budget through administrative actions during the fiscal year.

The State’s fiscal year begins April 1 and ends on March 31. However, the actual “budget cycle,” representing the time between early budget preparation and last-minute disbursements, begins some nine months earlier and lasts approximately 27 months - until the expiration of the State Comptroller’s authority to honor vouchers against the previous fiscal year’s appropriations:

*Agency Budget Preparation (June-September/October)*

The formal budget cycle begins when the Budget Director issues a policy memorandum - the “call letter”- to agency heads. The call letter outlines, in general terms, the Governor’s priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget.

*Division of the Budget Review (September/October-December)*

Agencies typically submit their budget requests to the Division of the Budget in September or October, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of agencies for which they have responsibility. In November, the Budget Director conducts a series of constitutionally authorized “formal” budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor’s office an “on-the-record” opportunity to raise critical questions on programs, policies and priorities.

Through late November, the Division’s examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Director. The staff also prepares the appropriation bills and any other legislation required to carry out these recommendations. By early December, the Division of the Budget will normally have completed its recommendations on both revenues and expenditures, and presented them to the Governor and the Governor’s staff. Budget staff then prepares the tables and the narrative that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

*The Governor’s Decisions (November-January)*

The Governor and staff who also are preparing the annual Message to the Legislature (the “State-of-the-State” message which the Governor presents to the Legislature when it convenes in January) are conversant with the budget throughout its development.

*Legislative Action (January-March)*

The Governor typically submits the Executive Budget to the Legislature in mid-January or following a gubernatorial election year, by February 1, along with the related appropriation, revenue and other budget bills concerning State operations, aid to localities, capital projects and debt service. The State’s Five-Year Capital and Financing Plan (the “Financing Plan”) also is submitted with the Executive Budget. Within 10 days, the Division of the Budget provides the Legislature with additional financial information supporting the Executive Budget. A three-year financial projection is submitted within 30 days following submission of the Executive Budget, although it can be submitted earlier.

The Legislature, primarily through its fiscal committees - Senate Finance and Assembly Ways and Means - then analyzes the Executive spending proposals and revenue estimates, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other State agencies. Following that review, the Legislature acts on the appropriation bill submitted with the Executive Budget to reflect its decisions.

The appropriation bills, except for those items which were added by the Legislature and the appropriation for the Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the Legislature and Judiciary and may use the line item veto to disapprove items added by the Legislature. As provided in the Constitution, the Legislature may override the Governor's veto by the vote of two-thirds of the members of each house. The passage of the appropriation bills provides a legal foundation for the disbursement of funds during the new fiscal year.

#### *Budget Execution (March)*

At this point the budget process enters a new phase — budget execution. As a first step, the Division of the Budget approves "certificates of allocation" informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored.

In addition, the Division of the Budget keeps a close watch throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the Legislature, as required by law, in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year.

#### *Possible Delays in Budget Enactment*

While the 2015-16, 2016-17, 2018-19 and 2019-20 Enacted State Budgets were timely adopted, the 2017-18 Enacted State Budget was adopted 8 days late, the 2020-21 Enacted State Budget was adopted 1 day late and, in the past, adoption of State budgets has been significantly delayed beyond the time frames outlined above. Any delay in adoption of the State budget could delay the payment of State Aid to municipalities and school districts in the State, including the Rochester CSD, which could, in turn, adversely affect the ability of the Rochester CSD to make Sublease Payments under the Sublease Agreement. See "BONDHOLDERS' RISKS—The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19."

#### **Limited Obligations of the Issuer**

THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE ROCHESTER CSD UNDER THE SUBLICENSE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE RELATED BOND FUND UNDER THE INDENTURE. IN THE EVENT THE ROCHESTER CSD FAILS TO MAKE A SUBLICENSE PAYMENT UNDER THE SUBLICENSE AGREEMENT, IT IS PROVIDED IN THE ROCHESTER SCHOOLS ACT AND THE INDENTURE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER, AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE ROCHESTER CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE

ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT TO PAY SUBLEASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE ROCHESTER CSD OR THE CITY, AND THE FULL FAITH AND CREDIT OF THE ROCHESTER CSD AND THE CITY ARE NOT PLEDGED TO THE PAYMENT OF SUBLEASE PAYMENTS UNDER THE SUBLEASE AGREEMENT. THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF SUBLEASE PAYMENTS UNDER THE SUBLEASE AGREEMENT. THE ROCHESTER CSD HAS NO TAXING POWER. THE OBLIGATIONS OF THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT TO PAY SUBLEASE PAYMENTS IN ANY FISCAL YEAR OF THE ROCHESTER CSD CONSTITUTE A CURRENT EXPENSE OF THE ROCHESTER CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE ROCHESTER CSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 BONDS IS SUBLEASE PAYMENTS MADE BY THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE ROCHESTER CSD AND APPROPRIATED BY THE ROCHESTER CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE ROCHESTER CSD.

[Remainder of page intentionally left blank]

## ANNUAL SUBLEASE PAYMENTS

The following table sets forth the expected annual Sublease Payments due on April 1 of each year pursuant to the Sublease Agreement with respect to the Phase I Bonds, the Series 2017 Bonds, the Series 2018 Bonds and the Series 2020 Bonds.

<b>Sublease Payment Date Due <u>April 1</u></b>	<b>Phase I Sublease Payments<sup>(1)</sup></b>	<b>Series 2017 Sublease Payments<sup>(1)</sup></b>	<b>Series 2018 Sublease Payments<sup>(1)</sup></b>	<b>Series 2020 Sublease Payments<sup>(1)(2)</sup></b>	<b>Total Sublease Payments</b>
2021	\$25,753,821.60	\$11,793,500.00	\$18,951,750.00		
2022	25,754,321.60	11,797,750.00	18,946,375.00		
2023	25,752,696.60	11,790,375.00	18,935,750.00		
2024	25,752,196.60	11,780,875.00	18,914,000.00		
2025	25,754,446.60	11,768,500.00	18,904,750.00		
2026	25,753,071.60	11,767,125.00	18,891,375.00		
2027	25,751,696.60	11,750,875.00	18,877,500.00		
2028	26,959,660.80	11,743,875.00	18,851,875.00		
2029	15,946,000.00	11,734,875.00	18,837,875.00		
2030	5,007,125.00	11,718,000.00	18,818,625.00		
2031	4,832,875.00	11,707,125.00	18,797,500.00		
2032	--	11,695,875.00	18,782,500.00		
2033	--	11,044,375.00	18,532,500.00		
2034	--	--	15,488,375.00		
2035	--	--	958,375.00		
<b>TOTAL</b>	<b>\$233,017,912.00</b>	<b>\$152,093,125.00</b>	<b>\$261,489,125.00</b>		

<sup>(1)</sup> An amount equal to the total principal and interest due on Project Bonds each May 1 and November 1 is due in full on each preceding April 1 pursuant to the Sublease Agreement.

<sup>(2)</sup> Interest due through and including \_\_\_\_\_, 20\_\_ with respect to the Series 2020 Bonds Sublease Payments totaling \$\_\_\_\_\_ is not shown because it is capitalized.

## BONDHOLDERS' RISKS

The discussion in this section regarding risks to holders of the Series 2020 Bonds is not intended to be dispositive, comprehensive or definitive, nor does the order in which the risks are discussed necessarily reflect their relative importance. The discussion is intended only to summarize certain matters that could affect payment on the Series 2020 Bonds. Holders of the Series 2020 Bonds should be aware that these matters and other potential risks and factors could materially adversely affect receipt by the holders of payments on the Series 2020 Bonds. There can be no assurance that other risks or factors will not become material in the future. Other sections of this Official Statement should be referred to for a more detailed description of the risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal corporate trust office of the Trustee.

### **The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19**

The amount of State Aid paid to the Rochester CSD is dependent in large measure upon the financial condition of the State. The State regularly publishes its Annual Information Statement relating to its financial condition, as well as quarterly updates and supplements thereto.

The State's 2018-2019 Enacted Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-2018 school year. The State's 2019-2020 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of more than \$1 billion in school aid spending from the 2018-2019 school year. Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-21 Enacted Budget is 3.7 percent lower than in the State's 2019-20 Enacted Budget but is offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-21 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent.

The State's 2020-21 Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The State 2020-21 Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in State aid reflects current projections of the ten-year average growth in State personal income.

Provisions in the State's 2020-2021 Enacted Budget grant the Budget Director the authority to reduce "aid-to-localities" appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. Aid-to-localities is a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. The State's Enacted Budget is deemed out of balance for the fiscal year, and the Budget Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The State's 2020-2021 Enacted Budget is premised on the assumption that the Budget Director's powers will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. Due principally to the COVID-19 pandemic, reduced receipts are expected through State fiscal year 2024. Any significant reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of Federal aid for health care, education, transportation and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Federal administration and Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision because of changes in Federal policy and the impacts of the COVID-19 pandemic.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the Federal administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional

gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State.

While the State has a constitutional duty to maintain and support a system of free common schools that provides a “sound basic education” to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the Rochester CSD can be paid only if the State has such monies available for such payment.

The Rochester CSD depends on substantial financial assistance from the State. Rochester CSD’s General Fund was funded from State Aid at levels of 79.8% in fiscal year 2015-16, 81.0% in fiscal year 2016-17, 81.6% for fiscal year 2017-18, 81.7% for fiscal year 2018-19 and is budgeted to be funded at 82.3% for fiscal year 2019-20 (excluding the 2019-20 State Aid Advance and SSBA funding).

The total amount of State Aid for all funds is comprised of Foundation Aid and a number of other State Aid categories. Foundation Aid is the largest component of State Aid for the Rochester CSD. No increases in Foundation Aid were received in fiscal years 2009-10, 2010-11 or 2011-12. The Rochester CSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 State Budget. For the 2017-18 and 2018-19 fiscal years the Rochester CSD received Foundation Aid in the amounts of \$421.9 million and \$434.5 million. As of April 1, 2020, the Rochester CSD expected to receive Foundation Aid in the amount of \$447.5 million for the 2019-20 fiscal year (excluding the 2019-20 State Aid Advance), and the amount that is included in the Rochester CSD’s fiscal year 2020-21 budget that will be submitted to the City Council for approval is \$447.5 million. Future reductions in Foundation Aid or other aid categories of State Aid to the Rochester CSD could adversely affect the financial condition of the Rochester CSD. See “THE SERIES 2020 BONDS—State Aid—*State Aid Categories Generally*.” See also “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*” with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

Principal of and interest on the Phase I Bonds and the Phase II Bonds will be paid from State Aid payable through (i) Sublease Payments made by the Rochester CSD under the Series Facilities Agreements, including the Sublease Agreement or (ii) from the intercept of State Aid by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid being made each year by the State to the Rochester CSD. No assurance can be given that present State Aid levels will be maintained in the future. The Rochester Schools Act provides that (x) any amount of State Aid paid by the State Comptroller pursuant to the State Aid Intercept provisions of the Rochester Schools Act shall not obligate the State to make, nor entitle the Rochester CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Rochester Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State shall not be obligated by the terms of the Rochester Schools Act to maintain State Aid at any particular level or amount. Financial difficulties of the State could result in reduced payments of State Aid to municipalities and school districts in the State (including the Rochester CSD) in future fiscal years. Given the Rochester CSD’s dependence on State Aid (the only source of funds to make the Sublease Payments payable by the Rochester CSD pursuant to the Series Facilities Agreements, including the Sublease Agreement), substantial reductions in the payment of State Aid could adversely impact the Rochester CSD’s ability to pay, or timely pay, Sublease Payments under the Series Facilities Agreements, including the Sublease Agreement, and accordingly, the payment of debt service on the Phase I Bonds and the Phase II Bonds.

State financial difficulties also may result in protracted and delayed State budget negotiations which could result in delays in the adoption of the State budget. Delays in adoption of the State budget in future years could result in delayed payment of State Aid to school districts in the State, including the Rochester CSD. During the State's 2011-12 to 2019-20 fiscal years, State Aid to school districts was paid in a timely manner; however, during the State's 2009-10 fiscal year, State budgeting restrictions resulted in delayed payments of State Aid to school districts in the State. In the past, adoption of a State budget has been delayed as long as four and a half months. There can be no assurance that (y) the State Legislature will continue to adopt State budgets in a timely fashion, or that (z) in the absence of such budget adoption, that the State Legislature will provide on a continuing resolution or other basis State Aid to the Rochester CSD on an interim basis.

Furthermore, State financial difficulties could result in delayed payment of State Aid in the current and future fiscal years, and could affect payment of State Aid to the Rochester CSD. Delay in the receipt of State Aid by the Rochester CSD could have a material adverse financial impact on the Rochester CSD and result in a delay in the application of such State Aid to the payment of Sublease Payments under the Series Facilities Agreements, including the Sublease Agreement.

### **Impact of COVID-19**

The outbreak of COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The Rochester CSD has been communicating with the New York State Education Department and with local and State level department of health agencies. The Rochester CSD has been following all relevant guidance as it has been released by State and federal agencies. Pursuant to the Governor's Executive Order, the Rochester CSD suspended on-site instruction effective March 16, 2020, which suspension was recently extended for the balance of the academic year. The degree of the impact of COVID-19 on the Rochester CSD's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State aid paid to school districts, including the Rochester CSD. Any delay or reduction in State aid payment to the Rochester CSD would have a negative impact on the Rochester CSD's finances and operations.

### **Default by the Rochester CSD**

No representations or assurances can be given that the Rochester CSD will perform its obligations under the Sublease Agreement. The obligation of the Rochester CSD to make Sublease Payments under the Sublease Agreement is executory and dependent upon the receipt of State Aid and the appropriation of such State Aid by the Rochester CSD to the payment of Sublease Payments under the Sublease Agreement. If State Aid has been appropriated by the State to the Rochester CSD and the Rochester CSD has failed to appropriate such State Aid to the payment of the Sublease Agreement (whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise), there is no right to accelerate all future payments due under the Series 2020 Bonds and the sole source of payment for the Series 2020 Bonds will be the intercept of State Aid by the State Comptroller. The failure of the Rochester CSD to appropriate amounts necessary to make Sublease Payments due under the Sublease Agreement (whether such failure results from a failure of the City to approve a proposed Rochester CSD budget, or otherwise) may result in the failure of the Issuer to make required debt service payments under the Series 2020 Bonds. In such event, the sole remedy available to the Bondholders would be the intercept of State Aid by the State Comptroller. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Intercept."

## **Categories of State Aid Paid to Depository Bank; Categories of State Aid to be Withheld in the Event of Nonpayment Under the Sublease Agreement**

In accordance with the State Aid Trust Agreement, the Chief Financial Officer of the City and the President of the Board of Education of the Rochester CSD have instructed the State Comptroller to pay all State Aid, except for any amount of State Aid withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act as a result of nonpayment by the City or the Rochester CSD under the Sublease Agreement, directly to the State Aid Depository Fund held with the Depository Bank. The Rochester CSD receives different categories of State Aid from the State. The State Comptroller determines the categories of State Aid that it will pay to the Depository Bank. Currently, State Aid for the general fund is being paid by the State Comptroller to the State Aid Depository Fund held by the Depository Bank. As a result of nonpayment by the City or the Rochester CSD under the Sublease Agreement, State Aid for the general fund would be withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act. In addition, State Aid for all funds may be available to be withheld from the City or the Rochester CSD in accordance with the provisions of the Rochester Schools Act. However, there is no assurance that the State Comptroller will interpret the Rochester Schools Act to permit State Aid for all funds to be withheld from the City or the Rochester CSD in such a situation. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Trust Agreement”.

## **Appropriation of Sublease Payments by the Rochester CSD**

The availability of Sublease Payments under the Sublease Agreement is subject to and dependent upon lawful appropriations of State Aid being made each year to and by the Rochester CSD for such purposes. The Sublease Agreement is not a general obligation of the Rochester CSD or the City. The obligation of the Rochester CSD under the Sublease Agreement to pay Sublease Payments in any fiscal year of the Rochester CSD constitutes a current expense of the Rochester CSD for such fiscal year and shall not constitute an indebtedness of the Rochester CSD or the City within the meaning of any constitutional or statutory provision or other laws of the State. Neither the Sublease Agreement nor any representation by any public employee or officer creates any legal or moral obligation of the Rochester CSD to appropriate or make moneys available for the purposes of the Sublease Agreement. The failure of the Rochester CSD to pay Sublease Payments due under the Sublease Agreement may result in the failure of the Issuer to make required debt service payments under the Series 2020 Bonds. In such event, there would be no right to accelerate payments due under the Series 2020 Bonds or terminate the Rochester CSD’s or the City’s possessing interest in the Facilities and the sole remedy available to the Bondholders will be the intercept of State Aid by the State Comptroller.

## **Competing Claims to State Aid**

### *General*

Statutory provisions currently exist or may hereafter be enacted which permit State Aid otherwise payable to the Rochester CSD to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Trust Agreement with respect to Project Bonds, there is no stated priority for the various multiple State Aid diversion and intercept claims. Furthermore, the impact of the diversion or intercept of State Aid to pay obligations other than Project Bonds would be increased if State Aid payments to the Rochester CSD were reduced as described above.

### *Direct Claims*

Revenue Anticipation Notes. Revenue anticipation notes issued by the City in anticipation of the receipt of State Aid are payable in the first instance from the amount of State Aid in anticipation of which such revenue anticipation notes were issued. State law requires that such State Aid received by the City be applied to retire such revenue anticipation notes prior to the application of such State Aid to any other purpose. The City issued revenue anticipation notes in August 2019 in the amount of \$50 million that mature on May 29, 2020. The City last issued revenue anticipation notes in 2004 in the amount of \$25 million, which notes matured and were paid on June 30, 2005. The City currently does not anticipate any additional cash flow financing in the remainder of fiscal year 2019-20. It has yet to be determined whether or not the City will issue any additional cash flow financing in fiscal year 2020-21. The State Aid Trust Agreement provides that, notwithstanding the provisions of the State Aid Trust Agreement providing for the flow of State Aid to the Trustee, upon receipt of written instructions to the Depository Bank from the City, together with an accompanying monthly payment schedule indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid Revenues paid to the Rochester CSD must be set aside in a special bank account designated in such instructions to be used only for the payment of the RAN Repayment Requirement, then each month the Depository Bank shall immediately withdraw from the State Aid Depository Fund all State Aid that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Trust Agreement, to the special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid.

Expenses for Handicapped Children. The State Comptroller deducts from State Aid to the City amounts required by statute to reimburse the State for certain expenditures made by the State for the education of certain blind, deaf and handicapped children in the City. Expenditures of approximately \$0.7 million were withheld from Rochester CSD State Aid for the 2018-19 fiscal year. There are five students enrolled in this program in the 2019-20 fiscal year and the Rochester CSD projects that a similar amount will be withheld from State Aid for this program.

Deductions for TRS Payments. New York State Teachers Retirement System (“TRS”) contributions are paid as a reduction in State Aid to Education payments due September 15, October 15 and November 15 on the succeeding fiscal year. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January. For the 2018-19 fiscal year, TRS expenditures were approximately \$33.2 million. For 2019-20, Rochester CSD officials have indicated that \$31.5 million was budgeted for this purpose.

### *Contingent Claims*

Section 99-b. In the event of a default in the payment of the principal of and/or interest on outstanding general obligation indebtedness of the City issued for Rochester CSD purposes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State Aid and assistance to the Rochester CSD and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of such general obligation indebtedness for Rochester CSD purposes. As measured by the State Constitution and the Local Finance Law, as of April 1, 2020, the City had a total of \$143.9 million of outstanding net indebtedness applicable to the Rochester CSD, all of which is benefited by the Section 99-b intercept (the “Section 99-b Debt”), which constitutes approximately 24% of its debt limit. The Section 99-b Debt consists of the principal amount of City bonds and bond anticipation notes (the “Section 99-b Bonds”). Maximum annual debt service on the

Section 99-b Bonds is \$22,703,287. The City has approved the issuance of approximately \$23.8 million of general obligation bonds for the purposes of the Rochester CSD. The City anticipates that it will issue general obligation bonds and/or bond anticipation notes in August 2020 in the approximate amount of \$98.1 million, of which approximately \$53.9 million will be available for purposes of the Rochester CSD and will benefit from the Section 99-b intercept.

The Series 2020 Bonds are not general obligation indebtedness of the City and accordingly do not benefit from the Section 99-b intercept.

Charter School Delinquencies. Pursuant to the Charter Schools Act, the Rochester CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. In fiscal year 2018-19, the Rochester CSD paid approximately \$86.1 million in tuition payments to charter schools that enroll City resident students. In the Rochester CSD's budget for fiscal year 2019-20, spending for charter schools is budgeted for \$87.7 million. As of April 1, 2020, the Rochester CSD anticipates the tuition to charter schools to be \$91.4 million for 2019-20. In the Rochester CSD's fiscal year 2020-21 budget that will be submitted to the City Council for approval, the Rochester CSD has included approximately \$95.8 million for tuition payments. Basic tuition per pupil was frozen at 2010-11 levels by the State for fiscal years 2012-13, 2013-14, 2014-15 and 2015-16. The basic tuition rate increased from \$12,590 in 2016-17 to \$13,995 in 2019-20 and, as of April 1, 2020, is projected to be \$14,365 in 2020-21. In the event the Rochester CSD fails to make any required payment to charter schools that enroll City resident students, the State Comptroller may deduct delinquent amounts from State Aid otherwise payable to the Rochester CSD and pay such amounts to the charter schools. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*" with respect to the timing of the submission for approval by City Council of the Rochester CSD fiscal year 2020-21 budget.

Failure to Comply with Regulations. Payment of State Aid to education may be withheld due to the failure of the City or the Rochester CSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes.

Beginning with the 2015-16 school year, the payment of State Aid to school districts, including the Rochester CSD, is linked to compliance with a modified teacher evaluation process which provides that school districts will not be eligible for aid unless by November 15, 2015 and by September 1 of each subsequent year, the school district demonstrates that it has fully implemented the standards and procedures for conducting annual teacher and principal evaluations in accordance the requirements of Section 3012-d of the Education Law. The Rochester CSD developed a teacher evaluation process for each of the 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 fiscal years that was compliant with Education Law Section 3012-d.

In addition, the State may withhold aid if the Rochester CSD fails to meet the deadline for submitting its independent audit report to the State Education Department. Pursuant to Section 2116-a of the Education Law, the Rochester CSD must file such report no later than January 1<sup>st</sup>, however, the State has granted school districts a 30-day "grace period" before aid is withheld. The Rochester CSD timely filed its report for fiscal year 2018-19 in December 2019.

Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid is required to annually report its budgeted support for individual schools within the school district and, in 2019-20, this requirement expanded to all school districts with at least four schools, regardless of State aid. The report must follow a

format developed by the State Division of Budget (“DOB”) in consultation with SED. In 2020-21, the requirement will apply to all school districts in the State. This report is due to the State by the beginning of the school year, and the State has 30 days to respond. While DOB or SED does not formally approve a school district’s school-based budget, DOB and SED have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district’s State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district has 30 days to “cure” the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, is authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this legislation, beginning with the 2018-19 school year, the Rochester CSD is required to annually report its budgeted support for individual schools. The Rochester CSD timely filed its reports for the 2018-19 and 2019-20 school years.

#### *Effect on State Aid*

Statutory application and intercept of State Aid for any of the above purposes or any other purpose would have the result of diminishing the flow of State Aid to the Rochester CSD to make Sublease Payments under the Sublease Agreement, as well as possibly diminishing State Aid subject to an intercept by the State Comptroller under the Rochester Schools Act. Furthermore, other State financing programs incorporate similar procedures for the application or withholding of State Aid as security for the repayment of obligations, or the repayment of financial assistance provided to school districts in the State. Moreover, the State has the power to (i) create additional State Aid Intercept provisions, (ii) reduce or eliminate State Aid paid to school districts in the State and (iii) create State Aid intercept provisions having a prior right to intercept State Aid senior to the intercept of State Aid provided by the Rochester Schools Act. If the Rochester CSD is or becomes a participant in any such State financing program or otherwise pledges its State Aid, the extent to which State Aid would be available (x) to pay Sublease Payments under the Sublease Agreement, or (y) to be intercepted by the State Comptroller and paid to the Trustee, could be adversely affected. No assurance is given that the Rochester CSD will not participate in any such State financing programs in the future.

In addition to the foregoing, it is important to note that State Aid may, after the payment of Sublease Payments, be applied to the payment of Additional Payments under the Sublease Agreement for, among other things, casualty and indemnity obligations of the Rochester CSD to the Issuer. Accordingly, a significant casualty or indemnity event could substantially reduce State Aid coverage levels in relation to Base Lease Payment obligations of the Rochester CSD.

#### **Additional Series of Project Bonds**

The current cost to complete all phases of the Program (including phases not currently authorized by the Rochester Schools Act) is estimated to be approximately \$1.3 billion. The Rochester CSD will finance the remaining costs of the Phase II Project through the issuance of the Series 2020 Bonds. The Series 2020 Bonds are the sixth Series of Project Bonds and the third and final series of Phase II Bonds. The Phase II Act authorizes the reconstruction of up to 26 schools at a total cost not to exceed \$435 million. In 2019, the City, the Rochester CSD and the RJSCB requested that the State Legislature amend the Rochester Schools Act to authorize Phase III of the Program in the approximate amount of \$615 million. Legislation was first introduced in 2019 and was amended in April 2020 to reduce the approximate amount of the Phase III authorization to \$550 million; the legislation has not yet been

enacted. Any amendments to the Rochester Schools Act will be subject to authorization by the State Legislature. The City and the Rochester CSD expect that additional Series of Project Bonds will be issued in future years to finance future phases of the Program. Such additional Series of Project Bonds are expected to each rank on a ratable basis with the claims of the Phase I Bonds and the Phase II Bonds under the State Aid Trust Agreement, and with the State Comptroller with respect to an intercept of State Aid under the Rochester Schools Act and any amendment of the foregoing. See APPENDIX C — “Summary of Certain Provisions of the Indenture of Trust” and APPENDIX D —“Summary of Certain Provisions of the Sublease Agreement.”

The authorization and issuance of such additional Series of Project Bonds would further dilute the amount of State Aid available to make Sublease Payments with respect to the Phase I Bonds and the Phase II Bonds and reduce the amount of State Aid subject to intercept by the State Comptroller and payable to the Trustee. See “SECURITY FOR THE SERIES 2020 BONDS.” No limitation exists upon the principal amount of Project Bonds, as may be issued, nor upon their payment dates or rate of amortization. This could result in a reduction in the funds available to make payments of principal of and interest on the Series 2020 Bonds.

### **Potential Future Budget Imbalance**

It is expected that the Rochester CSD’s fiscal year 2019-20 budget will meet its projections by fiscal year end and will be in balance. By law the Rochester CSD must submit a balanced budget and the Rochester CSD expects to submit to the City Council for fiscal year 2020-21 a budget that is balanced. The Rochester CSD could experience difficulty in achieving the projections contained in a balanced budget for fiscal year 2020-21 and subsequent years due to rising expenses that outpace projected revenue increases. However, as part of the provisions of the State’s 2020-21 Enacted Budget, beginning with Rochester CSD fiscal year 2020-21, the Rochester CSD monitor, in conjunction with the Board of Education and Superintendent, must annually develop a five-year financial plan ensuring that annual aggregate operating expenses do not exceed annual aggregate operating revenues in order to ensure that no deficits exist for the duration of the five-year financial plan. Although the Rochester CSD expects to eliminate the future budget deficits through gap elimination programs, right-sizing the Rochester CSD’s footprint, and finding more efficient ways to operate, no assurance can be given that future budgetary results will be in balance. There also is no certainty that State Aid levels will not be reduced in future years, which could increase the likelihood of budget deficits resulting in reductions in the future. Future budget deficits could have a material adverse effect upon the financial operations of the Rochester CSD, requiring the Rochester CSD to either increase revenues from sources other than State Aid or curtail expenditures. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—*Approval of the 2019-20 and 2020-21 Budgets of the Rochester CSD*” and “PROGRAM PARTICIPANTS—The Rochester CSD and Board of Education—*Oversight*.”

### **Absence of Title Insurance**

Although the Corporation Counsel of the City will opine that the City has title to the Phase II Facilities, the Phase II Facilities are not mortgaged or pledged as security for the Series 2020 Bonds, and no title insurance policy will be obtained insuring the Issuer’s leasehold interest in the Ground Lease Facilities under the Ground Lease. If, however, the Issuer lacks a valid leasehold estate in the Ground Lease Facilities under the Ground Lease such defect could put into question the authority of the Issuer to (i) lease the Ground Lease Facilities from the City and the Rochester CSD under the Ground Lease, or (ii) sublease, pursuant to the Sublease Agreement, such leasehold interest in the Ground Lease Facilities to the City and the Rochester CSD, and thereby jeopardize the basis upon which the Rochester CSD is obligated to make Sublease Payments under the Sublease Agreement and upon which the Issuer (through the Trustee) may make certification to the State Comptroller for intercepting State Aid. The opinion of

Bond Counsel to be rendered in connection with the issuance of the Series 2020 Bonds assumes that the Issuer's leasehold interest in the Ground Lease is valid.

### **Enforceability of Remedies**

The remedies available to the holders of the Series 2020 Bonds upon an event of default under the Indenture, or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Existing constitutional and statutory law and judicial decisions, including Title 11 of the United States Code, affect the payment rights of Bondholders, and the remedies specified by the federal bankruptcy laws, the Indenture, and the various documents referred to herein may not be readily available or may be limited. The legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to enforceability of the legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally. In addition, such opinions will state that the availability of remedies may be limited by judicial application of principles of equity which may delay or preclude the exercise of remedies, including mortgage foreclosure.

### **State Aid Trust Agreement**

Amounts held in the State Aid Depository Fund under the State Aid Trust Agreement are not pledged to the repayment of the Series 2020 Bonds. The State Aid Depository Fund is not a trust fund held under the Indenture, and the Trustee does not and will not have a security interest in amounts held therein. In addition, the obligations of the City, the Rochester CSD, the Depository Bank and the Trustee relating to the collection, deposit and disbursement of State Aid contained in the State Aid Trust Agreement are not statutory obligations but contractual obligations of the Depository Bank, the City, the Rochester CSD and the Trustee and failure of such parties to comply with the provisions of the State Aid Trust Agreement would be actionable solely as a breach of contract matter. See also “–Additional Series of Project Bonds” above.

### **Limited Obligations of the Issuer**

THE SERIES 2020 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE RELATED BOND FUND UNDER THE INDENTURE. IN THE EVENT THE ROCHESTER CSD FAILS TO MAKE A SUBLEASE PAYMENT UNDER THE SUBLEASE AGREEMENT, IT IS PROVIDED IN THE ROCHESTER SCHOOLS ACT AND THE INDENTURE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER, AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE ROCHESTER CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT TO PAY SUBLEASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE ROCHESTER CSD OR THE CITY, AND THE FULL FAITH AND CREDIT OF THE ROCHESTER CSD AND THE CITY ARE NOT PLEDGED TO THE PAYMENT OF SUBLEASE PAYMENTS UNDER THE SUBLEASE AGREEMENT. THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF SUBLEASE PAYMENTS UNDER THE SUBLEASE AGREEMENT. THE ROCHESTER CSD HAS NO TAXING POWER. THE OBLIGATIONS OF THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT TO PAY SUBLEASE PAYMENTS IN ANY FISCAL YEAR OF THE ROCHESTER CSD CONSTITUTE A

CURRENT EXPENSE OF THE ROCHESTER CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE ROCHESTER CSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2020 BONDS IS SUBLEASE PAYMENTS MADE BY THE ROCHESTER CSD UNDER THE SUBLEASE AGREEMENT, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE ROCHESTER CSD AND APPROPRIATED BY THE ROCHESTER CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE ROCHESTER CSD.

#### **Absence of Public Market for the Series 2020 Bonds**

The Rochester CSD has been advised by the Underwriters that the Underwriters presently intend to make a market in the Series 2020 Bonds. The Underwriters, however, are not obligated to do so, and any market-making activities with respect to the Series 2020 Bonds may be discontinued at any time without notice. No assurance is given that an active public or other market will develop for the Series 2020 Bonds or as to liquidity of or the trading market for the Series 2020 Bonds. If a trading market does not develop or is not maintained, holders of the Series 2020 Bonds may experience difficulty in reselling the Series 2020 Bonds or may be unable to sell them at all. If a market for the Series 2020 Bonds develops, any such market may be discontinued at any time. If a public trading market develops for the Series 2020 Bonds, future trading prices of the Series 2020 Bonds will depend on many factors, including, among other things, prevailing interest rates, State Aid paid to the Rochester CSD and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the Rochester CSD, the Series 2020 Bonds may trade at a discount from their principal amount.

### **TAX MATTERS**

#### **Tax Exemption**

The delivery of the Series 2020 Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Series 2020 Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Issuer, the City and the Rochester CSD made in a certificate (the “Tax Certificate”) dated the date of delivery of the Series 2020 Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2020 Bonds and will assume continuing compliance by the Issuer, the City and the Rochester CSD with the provisions of the Tax Certificate, the Indenture, the Ground Lease and the Sublease Agreement subsequent to the issuance of the Series 2020 Bonds. The Tax Certificate, the Indenture, the Ground Lease and the Sublease Agreement contain covenants by the Issuer, the City and the Rochester CSD with respect to, among other matters, the use of the proceeds of the Series 2020 Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Series 2020 Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of

certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series 2020 Bonds to be includable in the gross income of the owners thereof from the date of the issuance.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer, the City and the Rochester CSD described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Series 2020 Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Series 2020 Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2020 Bonds, the Issuer may have different or conflicting interests from the owners of the Series 2020 Bonds. Public awareness of any future audit of the Series 2020 Bonds could adversely affect the value and liquidity of the Series 2020 Bonds during the pendency of the audit, regardless of its ultimate outcome.

In the opinion of Bond Counsel, under existing law interest on the Series 2020 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Except as described above, Bond Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2020 Bonds. Prospective purchasers of the Series 2020 Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2020 Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (FASIT), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Series 2020 Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Series 2020 Bonds. Prospective purchasers of the Series 2020 Bonds should consult with their own tax advisors with respect to any proposed changes in tax law.

### **Tax Accounting Treatment of Discount and Premium on Certain Bonds**

The initial public offering price of certain Series 2020 Bonds (the "Discount Bonds") may be less than the amount payable on such Series 2020 Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2020 Bonds described above under

“Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

The purchase price of certain Series 2020 Bonds (the “Premium Bonds”) paid by an owner may be greater than the amount payable on such Series 2020 Bonds at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

## **APPROVAL OF LEGAL MATTERS**

All legal matters incident to the authorization, issuance and delivery of the Series 2020 Bonds by the Issuer are subject to the approving opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel to the Issuer. A copy of the opinion of Bond Counsel will be available at the time of delivery of the Series 2020 Bonds, the form of which is set forth in APPENDIX F. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Pittsford, New York. Legal matters pertaining to the RJSCB will be passed upon by its counsel, Bond Schoeneck & King PLLC, Rochester, New York, for the Rochester CSD by its General Counsel and for the City by Woods Oviatt Gilman LLP, Rochester, New York. For purposes of this transaction, Pillsbury Winthrop Shaw Pittman LLP, New York, New York, is serving as counsel to the Depository Bank and the Trustee. Certain legal matters will be passed upon for the Underwriters by their counsel, Barclay Damon LLP, Albany, New York.

## **FINANCIAL ADVISOR**

Capital Markets Advisors, LLC (the “Financial Advisor”) serves as independent registered municipal advisor to the City and the Rochester CSD on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2020 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2020 Bonds was based on materials provided by the City and the Rochester CSD and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the City or the Rochester CSD or the information set forth in this Official Statement or any other information available to the City or the Rochester CSD with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **LITIGATION**

It is a condition of their acceptance of the Series 2020 Bonds at closing that the Underwriters receive certificates from the Issuer and the Rochester CSD to the effect that there is no pending or, to the knowledge of the Issuer or the Rochester CSD, threatened litigation against the Issuer or the Rochester CSD that in any way questions or affects the validity of the Series 2020 Bonds, the Indenture, the Sublease Agreement, the Ground Lease, the State Aid Trust Agreement, or any proceedings or transactions relating to the issuance, sale or delivery of the Series 2020 Bonds or the execution and delivery of any of such documents or that would materially and adversely affect the Phase II Project.

As of the date of this Official Statement, the RJSCB has certified that there is no pending or, to the knowledge of the RJSCB, threatened litigation against the RJSCB that in any way questions or affects the validity of the Series 2020 Bonds, the Indenture, the Sublease Agreement, the Ground Lease, the State Aid Trust Agreement, or any proceedings or transactions relating to the issuance, sale or delivery of the Series 2020 Bonds or the execution and delivery of any of such documents, or that would materially and adversely affect the Phase II Project.

As of the date of this Official Statement, except as described herein, the Rochester CSD has certified that it does not know of any fact or set of facts from which liability might arise which individually or collectively would materially and adversely affect the business or operations of the Rochester CSD or the Phase II Project.

## **RATINGS**

Moody’s Investors Service, Inc. (“Moody’s”) has rated the Series 2020 Bonds “Aa2” and S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has rated the Series 2020 Bonds “AA”. Moody’s outlook on the State Aid intercept program is negative. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid Intercept” for information on the State Aid intercept.

Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions by such rating agency. There is no assurance that such rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension or

withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2020 Bonds. The Underwriters, the Issuer and the Rochester CSD undertake no responsibility after the issuance of the Series 2020 Bonds to assure the maintenance of the rating or to oppose any revision, suspension or withdrawal thereof.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **UNDERWRITING**

Citigroup Global Markets Inc., as representative (the “Representative”) of the underwriters (the “Underwriters”) under a Purchase Contract for the Series 2020 Bonds (the “Series 2020 Purchase Contract”), among the Issuer, the Rochester CSD and the Underwriters, has agreed, subject to certain conditions, as follows:

Under the Series 2020 Purchase Contract to purchase the Series 2020 Bonds from the Issuer at a purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 2020 Bonds of \$\_\_\_\_\_, plus a [net] original issue premium of \$\_\_\_\_\_, less an underwriters’ discount of \$\_\_\_\_\_), and to make a public offering of the Series 2020 Bonds. The Underwriters will be obligated to purchase all of the Series 2020 Bonds if any are purchased.

In connection with the public offering of the Series 2020 Bonds, the Underwriters will be receiving compensation in the amount of the underwriters’ discount. The Underwriters’ obligation under the Series 2020 Purchase Contract to accept delivery of the Series 2020 Bonds is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The public offering prices set forth on the inside cover page hereof may be changed from time to time at the discretion of the Underwriters.

Pursuant to the Series 2020 Purchase Contract, the Rochester CSD has agreed to indemnify the Underwriters and the Issuer against certain liabilities to the extent permitted by law.

Citigroup Global Markets Inc., an underwriter of the Series 2020 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

## **SECONDARY MARKET DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”), the Rochester CSD will undertake, in a written agreement for the benefit of the holders and beneficial owners of the Series 2020 Bonds (the “Continuing Disclosure Agreement”) to provide to the Municipal Securities Rulemaking Board (“MSRB”) as the sole nationally recognized securities repository through the MSRB’s Electronic Municipal Market Access system (“EMMA”) on an annual basis no later than 360 days after the end of each respective Fiscal Year of the Rochester CSD, commencing with the Fiscal Year ending June 30, 2020, certain financial and operating data concerning the Rochester CSD of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the Rochester CSD will undertake, for the benefit of the holders and beneficial owners of the Series 2020 Bonds, to provide notice to the MSRB through EMMA, in a timely manner, but in not more than 10 business days after the occurrence of any event enumerated in the Rule. Any filing to be made under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>. See APPENDIX G.

There are no instances in the previous five years in which the Rochester CSD failed to comply, in all material respects, with all existing continuing disclosure agreements. The Rochester CSD has implemented procedures to ensure compliance with all existing continuing disclosure agreements.

## **MISCELLANEOUS**

The summaries of and references herein to the Act, the Rochester Schools Act, the Series 2020 Bonds, the Indenture, the Sublease Agreement, the State Aid Trust Agreement, the Ground Lease and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such documents for the complete provisions thereof, copies of which may be obtained from the Trustee.

The financial statements of the Rochester CSD for the year ended June 30, 2019 included in this Official Statement have been audited by Freed Maxick CPAs, P.C., independent auditors, as stated in their report appearing in APPENDIX A.

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions, estimates or forecasts will be realized. This Official Statement is not to be construed as a contract or an agreement between the Issuer, the Rochester CSD or the Underwriters and any purchaser of the Series 2020 Bonds.

The appendices hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

The Rochester CSD has reviewed the information contained herein that relates to it, its properties and operations, and has approved all such information for use within this Official Statement.

The distribution of this Official Statement to prospective purchasers of the Series 2020 Bonds by the Underwriters has been duly authorized by the Issuer and the Rochester CSD. This Official Statement is made available only in connection with the sale of the Series 2020 Bonds and may not be used in whole or in part for any other purpose.

**COUNTY OF MONROE INDUSTRIAL  
DEVELOPMENT AGENCY**

By: \_\_\_\_\_  
Authorized Officer

**ROCHESTER CITY SCHOOL DISTRICT**

By: \_\_\_\_\_  
Authorized Officer

**APPENDIX A**

**Comprehensive Annual Financial Report  
including Audited Financial Statements of the  
Rochester City School District for  
Fiscal Year ended June 30, 2019**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**2019**

# **CAFR**



## **Comprehensive Annual Financial Report Rochester City School District**



*Every student by face and name.  
Every school, every classroom.  
To and through graduation.*

131 West Broad Street  
Rochester, New York 14614

A Component Unit of the City of Rochester, New York  
Fiscal Year Ended June 30, 2019

[THIS PAGE INTENTIONALLY LEFT BLANK]

# **Comprehensive Annual Financial Report**

**Rochester City School District  
131 West Broad Street  
Rochester, New York 14614**

**A Component Unit of the City of  
Rochester, New York**

**For the Fiscal  
Year Ended June 30, 2019**

Prepared by:

**Department of Accounting**

**Rochester City School District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>INTRODUCTION SECTION</u></b>	
Transmittal Letter .....	1-8
Certificate of Excellence and Certificate of Achievement.....	9-10
List of Rochester City School District Officials .....	11
Rochester City School District Organizational Chart.....	12
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report .....	15-16
Management's Discussion and Analysis .....	17-33
Basic Financial Statements ( <i>the notes to the financial statements are an integral part of the Basic Financial Statements</i> ):	
Government-Wide Financial Statements:	
Statement of Net Position.....	35
Statement of Activities .....	36
Fund Financial Statements:	
Balance Sheet, Governmental Funds.....	37-38
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position .....	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	41-42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities .....	43
Fiduciary Fund Statements:	
Statement of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position.....	45
Notes to the Financial Statements.....	46-72
Required Supplementary Information:	
Schedule of District Contributions – New York State Employees' and Teachers' Retirement System Pension Plans .....	75
Schedule of District's Proportionate Share of Retirement System Pension Plans .....	76
Schedule of Changes in the District's Total OPEB Related Liability and Related Ratios.....	77
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – General Fund.....	78
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Special Aid Fund.....	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – School Food Service Fund .....	80
Note to the Required Supplementary Information .....	81
Supplemental Financial Statements and Schedules:	
Schedule of Revenues, Other Sources, Expenditures, and Other Uses - Budget And Actual (Non-GAAP Budget Basis) – General Fund .....	84-86
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budget Basis) – Debt Service Fund.....	87
Summary Schedule of Project Expenditures – Capital Projects Fund .....	88

**Rochester City School District  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

**TABLE OF CONTENTS**

	Page
<b><u>STATISTICAL SECTION</u></b>	
Net Position by Component – Last Ten Fiscal Years .....	92
Changes in Net Position - Governmental Activities – Last Ten Fiscal Years .....	93-94
Fund Balances - Governmental Funds – Last Ten Fiscal Years .....	95-96
Changes in Fund Balances - Governmental Funds – Last Ten Fiscal Years .....	97-98
Assessed Value and Estimated Actual Value of Taxable Real Property – Last Ten Fiscal Years .....	99
Property Tax Rate per Thousand, Direct and Overlapping Governments – Last Ten Fiscal Years .....	100
Principal Property Taxpayers – Current Fiscal Year and Nine Years Prior.....	101
City of Rochester Property Tax Levies and Collections – Last Ten Fiscal Years .....	102
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	103
Ratios of General Debt Outstanding – Last Ten Fiscal Years .....	104
Direct and Overlapping Debt as of June 30, 2019 .....	105
Legal Debt Margin Information – Last Ten Fiscal Years .....	106
Pledged-Revenue Coverage – Last Ten Fiscal Years .....	107
Demographic Economic Statistics – Monroe County – Last Ten Fiscal Years .....	108
Principal Ten Employers in the Rochester Area – Current Year and Nine Years Prior.....	109
Budgeted Full-Time Equivalent District Employees by Function – Last Ten Fiscal Years .....	110
Operating Statistics – Last Ten Fiscal Years .....	111
Operating Statistics – Continuing Disclosure Compliance – Last Ten Fiscal Years .....	112
School Building Information – Last Ten Fiscal Years .....	113-114
<b><u>SINGLE AUDIT REPORT</u></b>	
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 <i>Government Auditing Standards</i> .....	117-118
Independent Auditor's Report on Compliance for each Major Federal Program; and Report on Internal Control over Compliance Required by the Uniform Guidance .....	119-120
Schedule of Expenditures of Federal Awards.....	121-123
Notes to the Schedule of Expenditures of Federal Awards .....	124
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2019 .....	125-126
Schedule of Prior Year Findings and Questioned Costs for the Year Ended June 30, 2019.....	127
<b><u>STUDENT ACTIVITY FUNDS</u></b>	
Independent Auditor's Report on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds .....	129-130
Statement of Assets and Liabilities Arising from Cash Transactions.....	131
Statement of Cash Receipts and Disbursements.....	132
Notes to the Financial Statements.....	133

***THIS PAGE INTENTIONALLY LEFT BLANK***



# Introduction





## Rochester City School District

Superintendent of Schools

Terry Dade

December 19, 2019

Mr. Van Henri White, President  
Board of Education  
Rochester City School District  
Rochester, New York 14614

Dear President White, Board Members, and Citizens of the City of Rochester, New York:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Rochester City School District (District) for the year ended June 30, 2019. The CAFR was prepared by the District's Department of Accounting and is management's representation of the District's finances. Management assumes full responsibility for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework designed to protect the District's assets. The District's comprehensive framework has been designed so that the cost of internal controls does not outweigh the benefits of such controls. Therefore, they provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The controls provide the District the ability to prepare the financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. We assert that, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

The District's financial statements have been audited by Freed Maxick, CPAs, PC an independent, certified public accounting firm. The purpose of an independent audit is to express an opinion as to whether the financial statements are fairly stated in all material respects. The independent auditor's report is presented in the financial section of this report and renders an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2019. The financial section also includes the Management's Discussion and Analysis (MD&A). The MD&A provides users with an introduction, overview and analysis of the basic financial statements contained in this CAFR.

### **PROFILE OF THE REPORTING ENTITY**

The mission of the District and the Board of Education is to educate each student to the highest level of academic achievement and to foster each student's social and emotional development. The District partners with families, caregivers, and the Rochester community to prepare students to meet or exceed standards, to become lifelong learners, productive members of the workforce, and responsible, contributing citizens. We provide a full range of educational services to grade levels pre-kindergarten through 12. Services include regular and enriched academic education, special education for students with

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

disabilities, Careers in Technical Education (CTE), individualized programs, school-to-work programs, and partnerships with higher education. Programs are supplemented by a wide variety of offerings in the arts, music, and athletics. In addition, services are provided for adults, such as basic education, high school equivalency, continuing education, course offerings for non-English speaking adults, and employment preparation. For the 2018-19 school year, the District reported the following enrollments: 3,171 pre-kindergarten (Pre-K), 14,490 elementary (K-6) and 11,252 secondary (7-12), for a total of 28,913 students.

Students within the geographical boundaries of the District may elect to attend charter schools, a type of public school. New York State Charter School Law passed by the legislature in December 1998 allows for the issuance of a charter to a new school or an existing public school that applies for charter status. The charter is granted for up to five years, with a renewal option thereafter. Charter schools are overseen by public authorities, yet operate with a great deal of flexibility as independent, not-for-profit, educational entities.

The statute requires that the District pay a prescribed amount to the charter school for each resident pupil enrolled that is equivalent to the State approved operating expense per pupil of the public school district. The statute also requires that the District pay to the charter school any state or federal aid that is attributable to students with disabilities who are receiving special education services from the charter school. Charter School tuition payments totaling approximately \$86.2 million for 6,011 students were made from the District's General operating fund during the 2018-19 fiscal year. There were 14 Charter schools that received payments during the 2018-19 fiscal year.

On February 11, 2015, the New York State Education Department (NYSED) delivered its final approval to the plan and budget for the University of Rochester to serve as the Educational Partnership Organization (EPO) for East High School beginning on July 1, 2015, and continuing through June 30, 2020. The University entered into this partnership at the request of the Board of Education in an effort to meet State requirements for the restructuring of persistently struggling, low-performing schools. With the implementation of the Every Student Succeeds Act in the 18-19 school year, changes made to the accountability system resulted in multiple changes in accountability for RCSD schools. As of June 30, 2019, the District supports fourteen schools that have been identified by the NYSED as "Receivership". East High School, East Lower School, James Monroe High School, and Northeast High School continue to be in Receivership and are considered Cohort 1 Receivership Schools, which were the first round of schools identified as Receivership Schools beginning on July 15, 2015. Five schools were removed from Cohort 1 Receivership: Rochester Community School No. 3, Roberto Clemente School No. 8, Dr. Martin Luther King Jr. Elementary School No. 9, Enrico Fermi School No. 17, Mary McLeod Bethune School No. 45. Ten more schools were added to Receivership during 2018-19 and are designated as Cohort 2: Dr. Walter Cooper Academy School No. 10, John Walton Spencer School No. 16, Dr. Charles T. Lunsford School No. 19, Henry Hudson School No. 28, John James Audubon School No. 33, Wilson Foundation Academy, Edison Career and Technology High School, Integrated Arts and Technology High School, Leadership Academy for Young Men, and Vanguard Collegiate High School. Turnaround efforts for these schools guided by the Superintendent as Receiver, resulted in a targeted system of intensive supports and additional resources from the State. The NYSED will review the status of each school's Demonstrable Improvement Indicators as soon as the NYS exam results are available in order to make a determination as to whether the schools will remain in Receivership.

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

The District's financial statements are included in the financial statements of the City of Rochester (the City) as a discretely presented component unit. The District's Board of Education governs the public schools, and members are elected independent of the City Council. The District is dependent upon the City to contract bonded indebtedness and to levy taxes on its behalf. The City's Charter states how the allocation of revenue and debt-incurring power between the City and the District will be conducted. The terms of this section of the Charter are as follows:

1. The City shall provide to the District the sum of one hundred nineteen million one hundred thousand dollars (\$119,100,000) for operational purposes.
2. The limitation of nine percent (9%) for indebtedness, as set forth in § 4 of Article VIII of the Constitution of the State of New York, shall be allocated on the basis of five and one-half percent (5-1/2%) for municipal indebtedness as determined by the City Council and three and one-half percent (3-1/2%) for indebtedness for educational purposes as determined by the Board of Education.
3. The Board of Education shall, upon the date set by law and Charter, submit to the Mayor of the City an itemized budget for the ensuing fiscal year whose expenditures shall not exceed revenues provided by the above distribution, plus revenues estimated to be allocated to the District by the state or federal government.
4. The annual budget of the District submitted by the Board of Education shall contain an amount for cash capital of at least ten million dollars (\$10,000,000).

The District's financial statements include the financial statements of the Rochester Joint School Construction Board (RJSCB) as a blended component unit. The RJSCB is authorized by the State of New York, Chapter 416 of the Laws of 2007 to undertake construction projects associated with school modernization. The RJSCB is dependent on the District to provide funding for these projects. The majority of the project costs are reimbursed with State Aid; however, any amounts not reimbursed through State aid are funded from the District's budget.

The District's 2018-19 budget allocated funds to schools using the School Centric Budgeting process. This process begins with the construction of the budget based upon comprehensive funding and staffing projections for all school budget cost centers. Funding levels for instructional and operational support services, not directly provided in schools, complete the District's budget. A balanced budget was submitted and approved by the Mayor and City Council for the fiscal year beginning on July 1, 2018 and ending on June 30, 2019.

The budget contains the comprehensive school budget cost centers for all schools in the District and general fund monies utilized to augment capital project budgets. A separate capital fund budget exists for the District's Capital Improvement Program (CIP). The CIP budget document accompanies the District's annual budget and is provided to the City for adoption each June.

Legal spending control for District funds is at the fund level, but management control must be exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund's unreserved balance. The Board of Education authorizes management to make transfers between the various budgetary line items in any fund within the fund level.

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

## **ECONOMIC CONDITIONS AND OUTLOOK OF THE REPORTING ENTITY**

### **Local Economic Status and Forecast<sup>1,2</sup>**

Low unemployment and the catalytic effect of Rochester's universities will keep the Rochester economy moving in the right direction, however, the prevalence of low-wage jobs is tampering with the local economy's upward trajectory. The long-term decline of the regional heavyweights Kodak and Xerox has contributed to a decline in high-wage positions and is putting downward pressure on incomes. There are promising developments, however. For example, T-Mobile recently revealed plans to build a call center in the area, creating approximately 1,300 jobs. The housing market is strong and foreclosure inventories have fallen over the past year. The single-family house price growth was among the strongest in New York State, helping to drive impressive gains in construction employment. Local population losses have continued, with the past five years bringing the sharpest decline on record. This is primarily due to the declining number of births, offset by a rapidly rising share of seniors.

### **Projected Enrollment<sup>3</sup>**

The District's PreK-12 projected enrollment of 28,442 for fiscal year 2019-20 represents a 1.6% decrease as compared to the actual enrollment of 28,913 for fiscal year 2018-19. The ten-year summary of enrollment projections indicates that the District will continue to experience a decline in total PreK – 12 enrollment over the next ten years from 28,442 students in 2019-20 to 24,687 students in 2028-29, or an overall projected decrease of 13.2% over the next ten years. The continued growth of Charter Schools within Rochester and the surrounding area is the primary factor in the sustained decreases in District enrollment.

### **Age of School Buildings<sup>3</sup>**

The District owns forty-eight school buildings with an average age of 72 years old. Eleven schools have some portion of the building that is more than 100 years old. Given the number and overall age of the buildings, there is a constant demand for building repair or upgrading.

<b>Year Constructed</b>	<b>Total</b>
1901-1920	11
1921-1939	12
1940-1969	15
1970-Present	10
<b>Total</b>	<b>48</b>

*Building data does not include mini-schools, leased facilities, or transportable units.*

---

Sources:

- 1 Moody's Analytics, May 2019
- 2 Bureau of Labor Statistics, U.S. Department of Labor
- 3 RCSD CIP, May 2019

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

The State Education Department (SED) mandates that every five years each New York State school district complete a building condition survey. The latest survey was completed in 2016, and identified a need of \$467.0 million for building improvements over the next five years, however, the current Capital Improvement Plan proposes an investment of only about \$140.0 million over the next five years, comprised of approximately \$90.0 million from borrowed funds and \$50.0 million from cash capital. The procurement of equipment and expenditures for capital improvements with short-term life cycles are generally financed through the cash capital operating budget. Equipment and facility improvements with long-term life cycles are generally financed through borrowed funds.

The Facilities Modernization Program (FMP) has provided an infusion of capital to help meet the long-term District facilities renovation needs. The program enables the District to develop state-of-the-art schools for students and staff, establishes equity with facilities at other school districts, and creates learning environments that support the District's strategic plan. However, the FMP falls short of addressing the District's ongoing and continuously evolving maintenance and repair needs in schools that are not included in the list of approved schools covered under the active Phase of the FMP renovations. As such, the CIP focuses on addressing the needs of these schools.

The FMP was originally structured to be a three-phase program spanning more than fifteen years, which will cost approximately \$1.2 billion. As part of Phase I, six elementary schools were substantially reconstructed and four high schools were partially renovated. One remaining construction project at Monroe High School crossed over into Phase II of the Plan and was substantially completed during the summer of 2018.

In December 2014, the New York State Governor signed legislation approving Phase II of the program. Phase II is estimated to cost \$435.0 million and authorizes projects in 25 buildings plus a District-wide technology project. In July 2016, the Governor signed an amendment to the Phase II legislation that included a proposed change to the building aid reimbursement formula used by the State to reimburse the District. This amendment to the plan narrows the focus of Phase II to construction at 13 buildings and allows the doubling of the Maximum Cost Allowance ("MCA") on select schools within Phase II in order to facilitate project completions over a five-year period, rather than ten years, while still maximizing aid reimbursement. Phase II construction commenced during fiscal 2016-17 and is estimated to be completed in the summer of 2021.

The Special Legislation covering Phase III was introduced but not enacted in the 2019 Legislative session. The bill will be re-introduced in January/February 2020 with approval on or before June 2020. The legislation would authorize up to 15 building projects plus a District-wide technology project at a cost of \$615.0 million.

The District's Capital Improvement Program (CIP) is prepared as a companion document to the Superintendent's proposed budget, and is intended to fund capital investments to further the Superintendent's goals and initiatives as outlined in that document. The current CIP approved by the District's Board of Education identifies targeted facility renovations over a five-year time frame from 2019-20 to 2023-24. Additionally, the RCSD has developed a ten-year master plan that emphasizes performance management through a strategic framework for facilities investments that align with the District's educational vision. Schools will be fitted for educational program priorities while maintaining the correct mix of school buildings.

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

The City of Rochester continues to be in compliance with the New York State legislation associated with the Maintenance of Effort (MOE) that the City must provide in funding support to the District. The City is required to maintain a consistent level of financial support, currently \$119.1 million, in annual funding to the District. According to the MOE legislation, if the local share of net debt service paid by the District for construction improvements increases, the City could be required to increase its funding support to the District by the corresponding amount. In an effort to minimize its exposure to increased funding to the District, the City monitors on an annual basis the potential impact of the MOE, prior to committing to new CIP funding for the District.

## **Major Initiatives**

The mission of the Rochester City School District is to provide a quality education that ensures students graduate with the skills to be successful in a democratic society and the global economy. This includes providing an environment that is safe and nurturing to students. Everyone should be proud to send his or her children to the Rochester City School District. All departments within the District are working diligently to build on the successes that have contributed to student achievement within the last year. The District accomplishes achievements by adhering to its foundational pillars, and it will continue to disrupt long-standing patterns of failure because students deserve a high-quality education that prepares them for careers and/or college.

Superintendent Dade has unveiled three focus areas, or “three rocks”, which are guiding principles for students, parents, teachers, staff and the entire community who are the heart and soul of the Rochester City School District and are at the core of Superintendent Dade’s leadership.

### **Rock 1: Changing the Narrative for the RCSD.**

The District will celebrate the great stories in schools and classrooms, with the help of our teachers and staff. The District encourages teachers, staff and the community to share these stories on social media.

### **Rock 2: Laser-like Focus on Teaching and Learning.**

The District has strong teachers, families, and community members who together are making great learners.

### **Rock 3: Unsurpassed Collaboration.**

The District will operate as one family to achieve exceptional results together, surrounding itself with dedicated teachers and leaders who share passion and high expectations for students.

In order to achieve results in these three focus areas, Superintendent Dade has identified six main goals that he and his Executive Cabinet team have set for the 2019-20 school year:

1. Achieve a 5% increase in the graduation rate between August 2019 and August 2020.
2. Increase student proficiency in ELA and math by 7% by August 2020.
3. Reduce the disproportionate special education classification of students of color and the disproportionate suspension of students of color by 1.5% by June 2020; and increase the enrollment of students of color in advanced coursework by 5% by June 2020.
4. Reduce chronic absenteeism by 5% by June 2020.

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

5. In order to better define family engagement by June 2020, we will ensure there is an active Student Leadership Group in all high schools and that all schools will meaningfully engage families in the School-Based Planning Team process, in accordance with the School-Based Planning Team manual.
6. Achieve and maintain fiscal stability by implementing a plan that will put the District on secure financial footing.

### **Relevant Financial Policies**

As a dependent District, the City manages the District's cash. The District evaluates its cash requirements on a daily basis, and any surplus funds are invested by the City, generally in repurchase agreements, for terms that accommodate the estimated financial needs of the District at the highest interest rates available. The amount of interest earnings reported in the General fund for 2018-19 was \$365,057.

### **Legal Requirements**

New York State law requires an annual audit of the financial statements, conducted by an independent accounting firm. The District's financial statements have been audited and the auditor's opinion is included in this report.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

For the past thirty years, the District's Comprehensive Annual Financial Report (CAFR) has earned the Association of School Business Officials International (ASBO) Certificate of Excellence Award. This award is made only to governmental units that publish a CAFR that is easily readable, efficiently organized, and conforms to program standards, as well as satisfies generally accepted accounting principles (GAAP) and applicable legal requirements.

The ASBO Certificate of Excellence Award is valid for a period of one year. It is our belief that our current CAFR continues to meet the requirements of the Certificate of Excellence Award, and we are submitting it to ASBO to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rochester City School District for its CAFR for the fiscal year ended June 30, 2018. This was the twenty-nineth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The GFOA Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019  
President, Board of Education Members  
December 19, 2019

**Acknowledgements**

Our appreciation goes first to the District staff involved in the preparation of this report; this report could not have been accomplished without the efficient and dedicated services of this staff. Their many hours of hard work in gathering, organizing and analysis of information allow the District to present this high quality CAFR. We also wish to thank our independent auditors, Freed Maxick, CPAs, PC whose professional competence and leadership have supported us throughout the year. A copy of this report can be found at the District's website: <http://www.rcsdk12.org>.

Respectfully submitted,



Terry Dade  
Superintendent of Schools



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Rochester City School District  
New York**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

## Rochester City School District

for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2018.

The CAFR meets the criteria established for  
ASBO International's Certificate of Excellence.



A handwritten signature in black ink that reads 'Tom Wohlleber'.

Tom Wohlleber, CSRM  
President

A handwritten signature in black ink that reads 'Siobhán McMahon'.

Siobhán McMahon, CAE  
Chief Operating Officer

## **List of Rochester City School District Officials**

### **As of June 30, 2019**

#### **MEMBERS OF THE BOARD OF EDUCATION**

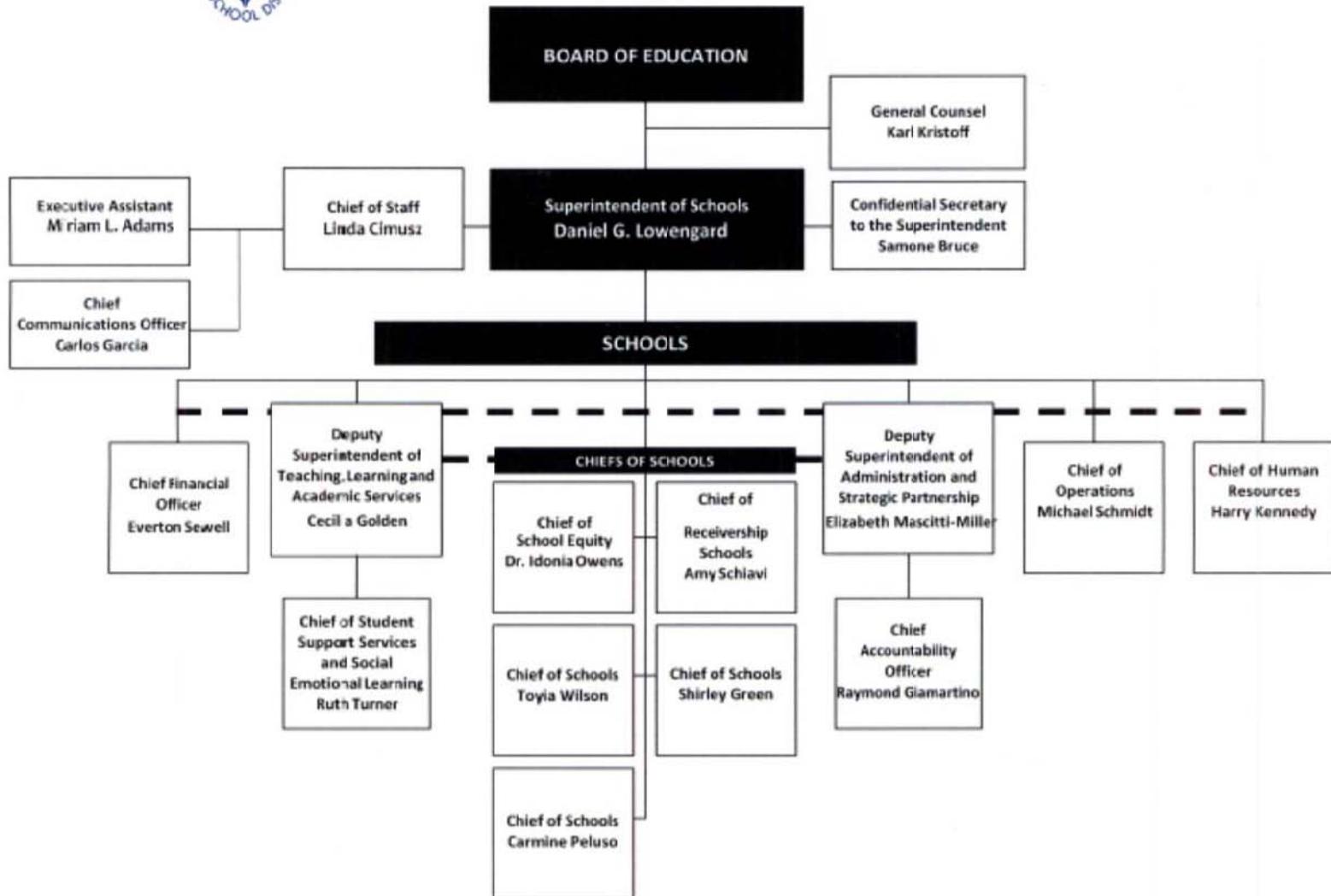
Van Henri White	President
Cynthia Elliott	Vice President
Judith Davis	Member
Elizabeth Hallmark	Member
Beatriz LeBron	Member
Willa Powell	Member
Natalie Sheppard	Member

#### **SUPERINTENDENT'S EXECUTIVE LEADERSHIP TEAM**

Daniel G. Lowengard	Interim Superintendent of Schools
Linda Cimusz	Chief of Staff
Carlos Garcia	Chief Communications Officer
Raymond Giamartino	Chief Accountability Officer
Cecilia Golden	Deputy Superintendent of Teaching, Learning and Academic Services
Shirley Green	Chief of Schools
Harry Kennedy	Chief of Human Resources
Karl Kristoff	General Counsel
Elizabeth Mascitti-Miller	Deputy Superintendent of Administration and Strategic Partnership
Idonia Owens	Chief of Schools for Equity
Carmine Peluso	Chief of Schools
Amy Schiavi	Chief of Receivership Schools
Michael Schmidt	Chief of Operations
Everton Sewell	Chief Financial Officer
Ruth Turner	Chief of Student Support Services and Social Emotional Learning
Toyia Wilson	Chief of Schools
Vacant	Chief of Special Education and Related Service



## Rochester City School District – Organizational Chart as of June 30, 2019



***THIS PAGE INTENTIONALLY LEFT BLANK***



# Financial





## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of the  
Rochester City School District  
Rochester, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rochester City School District (the District), a component unit of the City of Rochester New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents; and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
December 3, 2019

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. As management of the Rochester City School District ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. All amounts, unless otherwise indicated, are expressed in dollars.

**Financial Highlights**

- The District's government-wide financials reported that the liabilities and deferred inflows of the District exceeded its assets and deferred outflows at June 30, 2019 by \$583,725,815; a decrease of \$87,623,525 in the current year.
- The District's governmental funds reported combined ending fund balances of \$97,202,752. While this represents an increase of \$86,471,851 in the current year, the most significant factor contributing to this increase is a net change in the RJSCB fund balances of \$102,441,357 for financing of the Phase II Facilities Modernization Program (FMP).
- The District ended the year with an operating loss. The District's General fund reported a \$42,449,741 million reduction in the overall fund balance, as compared to the previous fiscal year. Although management planned to utilize \$20,000,000 from fund balance on current year operations, the budget was overspent by \$22,449,741. The primary reasons for this unfavorable result were overspending and under-budgeting in several areas, including: BOCES services, charter school tuition, self-funded health insurance, substitute teacher costs, retirement benefits and transportation.
- The unassigned portion of the fund balance for the General fund was (\$8,916,640). This represents a significant deterioration in the District's financial condition. Fund balance was not sufficient to meet the anticipated debt service reserves, commitments and assignments for areas such as workers' compensation, general liability and health insurance, planned expenditures and encumbrances as part of the next year's budget. As such, the District's current management is taking rapid and deliberate corrective actions to reduce spending while delivering a sustainable model of fiscal responsibility and accountability that permeates throughout the entire organization.

**Overview of the Financial Statements**

The District's basic financial statements comprise 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 themselves.

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

The *statement of net position* presents information on all of the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., claims payable and vacation time earned but unused).

Both of the government-wide financial statements present functions of the District that are principally supported by state and federal aid and intergovernmental revenues (*governmental activities*). The governmental activities of the District include general support, instruction, pupil transportation, community services and interest on debt. The government-wide financial statements can be found on pages 35 and 36 of this report.

**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 District, 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 District can be divided into two categories: governmental 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 District'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 District maintains six individual 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, Special Aid fund, School Food Service fund, Debt Service fund, Capital Projects fund, and Rochester Joint Schools Construction Board fund, all of which are considered to be major funds.

The District adopts an annual appropriations budget for its General fund, Special Aid fund, School Food Service fund, and Debt Service fund. Budgetary comparison schedules have been provided for the General fund, Special Aid fund and School Food Service fund with adopted budgets to demonstrate compliance with the budget. These schedules are presented in the Required Supplementary Information section of this report. The basic governmental fund financial statements can be found on pages 37-43 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 44 and 45 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 on pages 46-72 of this report.

### **Government-wide Financial Analysis**

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$583,725,815 at the close of the most recent fiscal year.

A positive portion of the District's net position in the amount of \$195,268,096 reflects its investment in capital assets (e.g., land, buildings, building improvements, machinery, and equipment), less accumulated depreciation and any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students and citizens; consequently, these assets are *not* available for future spending. Although the District'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.

The unrestricted net deficit of \$887,024,790 reported at June 30, 2019 is not current and represents liabilities that will be funded with future budgets. This occurred because the District is required to accrue in its government-wide statements all of its long-term obligations.

An amount of \$108,030,879 is reported on the balance sheet as restricted because its use is limited. Of this amount, \$92,231,024 represents amounts restricted for capital expenditures, \$15,699,855 represents certain proceeds from serial bonds that are limited in use by their respective bond covenants, as well as an amount of \$100,000 held for loans to contractors as a result of an RJSCB settlement agreement.

#### **Rochester City School District's Net Position**

Governmental Activities	<u>2017-18</u>	<u>2018-19</u>
Current and other assets	\$ 217,125,157	\$ 288,838,087
Capital assets (net of accumulated depreciation)	736,395,981	830,760,752
<b>Total assets</b>	<u>953,521,138</u>	<u>1,119,598,839</u>
Deferred outflows	213,435,763	178,692,823
<b>Total deferred outflows of resources</b>	<u>213,435,763</u>	<u>178,692,823</u>
Long-term liabilities outstanding	1,405,825,188	1,665,087,728
Other liabilities	198,895,003	167,324,071
<b>Total liabilities</b>	<u>1,604,720,191</u>	<u>1,832,411,799</u>
Deferred pension inflow	58,339,000	49,605,678
<b>Total deferred inflows of resources</b>	<u>58,339,000</u>	<u>49,605,678</u>
Net investment in capital assets	265,896,655	195,268,096
Restricted	8,516,554	108,030,879
Unrestricted (Deficit)	(770,515,499)	(887,024,790)
<b>Total net position</b>	<u>\$ (496,102,290)</u>	<u>\$ (583,725,815)</u>

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

“Current and other assets” increased by approximately \$71.7 million during fiscal year 2018-19. This increase is driven by a variety of factors. Restricted cash and cash equivalents increased by approximately \$100.7 million primarily due to the issuance of construction bonds during the year. This was offset by a decrease in unrestricted cash and cash equivalents of \$62.9 million primarily due to the impacts of the significant loss in the District’s General operating fund. The District’s proportionate share of the Teachers’ Retirement System (TRS) pension asset increased by \$18.5 million as compared to the prior year. The TRS pension asset value from year-to-year is a function of a variety of factors such as membership structure, actuarial methods and assumptions, and stock market performance. Additionally, amounts due from other governments increased by approximately \$14.3 million primarily due the timing of 2018-19 State aid receipts that remained outstanding at fiscal year end. The additional increase of \$1.1 million in current and other assets is due to nominal increases in accounts receivable and food service inventory.

“Capital assets (net of accumulated depreciation)” increased by approximately \$94.4 million during fiscal year 2018-19. Buildings and improvements accounted for \$158.8 million of this increase, due mainly to the capitalization of five Facilities Modernization Program (FMP) building renovation projects. Additionally, equipment increased by \$7.5 million, almost half of which was due to Smart Schools Bond Act spending. These increases were offset by decreases in construction in progress of \$71.9 million, again due primarily to the capitalization of five FMP projects placed into service.

“Deferred outflows” decreased by approximately \$34.7 million overall, as compared to the prior year. There were no deferred outflows for Other Post-Employment Benefits (OPEB) recorded at June 30, 2019. However, deferred OPEB outflows of \$21.2 million were recorded at June 30, 2018 in error during the implementation year. The primary reason there are no deferred outflows in the current year is because the actuarial assumptions and census data used in 2018-19 did not change from the prior year’s full valuation. As changes occur in assumptions and census data, deferred inflows and outflows will be generated. The remaining decrease of \$13.5 million was primarily due to a decrease in deferred pension outflows, as well as a nominal decrease in deferred outflows associated with refunding bonds.

“Long-term liabilities outstanding” increased by approximately \$259.3 million overall, as compared to the prior year. This significant increase is primarily attributable to a \$203.1 million net increase of bonds that were issued to finance Phase II of the FMP and the District’s ongoing Capital Improvement Program (CIP) and bond principal payments for existing debt within the District’s debt portfolio. Additionally, amortized premiums associated with these bonds increased by \$30.0 million. The District’s proportionate share of the Employees’ Retirement System (ERS) pension liability increased by \$8.4 million as compared to the previous year. The amount of this liability (or asset) at the end of any given year is the result of a variety of factors such as actuarial assumptions, stock market performance, contribution rates and composition of membership. Claims payable to teachers who retired under the teachers’ retirement incentive offered by the District during fiscal 2018-19 contributed to an additional increase in long-term liabilities of \$8.7 million. Additionally, the liability for other post-employment benefits for retiree health insurance increased by approximately \$13.7 million. All of the aforementioned increases were offset by net decreases of \$3.6 million in amounts due to the State for a lottery aid advance and pension amortization loans, as well as a \$1.0 million decrease in the long-term liability for self-insured workers’ compensation claims.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

The \$31.6 million decrease in “other liabilities” was primarily attributable to a reduction in the amount of Bond Anticipation Notes (BANs) payable of \$28.8 million as compared to the previous year. Significant reductions in the amount of BANs outstanding at the end of any given fiscal year is typically indicative of a BAN to Bond conversion during the fiscal year, as was the case during 2018-19. The remaining \$2.8 million decrease is due to nominal net changes in amounts payable to other entities, as well as unearned revenue recorded at June 30, 2019.

“Deferred pension inflows” decreased by approximately \$8.7 million. Similar to pension outflows, amounts reported in this account are amortized over time as a pension expense and reflect the District’s allocated portion of deferred inflows in the ERS and TRS employer cost sharing plans. For additional information on accounting and financial reporting for pensions, refer to Note V.B. of this report.

As mentioned previously, the unrestricted deficit of \$887,024,790 reported at the end of fiscal year 2018-19 is not current and represents liabilities that will be funded with future budgets. Presented below are details of the District’s changes in net position:

<u>Governmental Activities</u>	<u>2017-18</u>	<u>2018-19</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,630,841	\$ 3,354,390
Operating grants and contributions	122,652,688	113,264,664
General revenues:		
State & federal aid	571,846,027	586,763,799
Intergovernmental	119,100,000	119,100,000
Lottery aid	70,618,330	68,261,177
Other	8,792,747	20,065,071
<b>Total Revenues</b>	<u>895,640,633</u>	<u>910,809,101</u>
<b>Expenses</b>		
General support:		
Board of Education	774,805	1,267,641
Chief school administrator	998,319	917,981
Finance	6,916,873	7,239,192
Staff	8,850,997	9,925,017
Central Services	78,707,382	87,854,145
Other	8,450,919	9,106,906
<b>Total General Support</b>	<u>104,699,295</u>	<u>116,310,882</u>
Instruction:		
Administration and improvement	74,114,750	78,990,929
Teaching	554,886,851	625,792,535
Instructional media	9,907,240	10,110,572
Pupil services	46,822,107	46,309,779
<b>Total Instruction</b>	<u>685,730,948</u>	<u>761,203,815</u>
Pupil transportation	80,333,612	86,833,529
Community services	2,856,383	2,917,748
Interest on long-term debt	22,575,674	31,166,652
<b>Total Expenses</b>	<u>896,195,912</u>	<u>998,432,626</u>
Increase (decrease) in net position	(555,279)	(87,623,525)
<b>Net Position - Beginning</b>	<u>(495,547,011)</u>	<u>(496,102,290)</u>
<b>Net Position - Ending</b>	<u>\$ (496,102,290)</u>	<u>\$ (583,725,815)</u>

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

Program revenues from operating grants and contributions decreased by approximately \$9.4 million, as compared to the previous year. Contributing factors are one-time funding for costs associated with students displaced by hurricanes which was received in 2017-18, learning technology grants that ended in 2017-18, and the receipt of increased funding in 2017-18 for Community Schools' Initiatives and Schools in Receivership to provide additional resources for those schools that have been identified by the State as underperforming.

State and Federal aid increased by approximately \$14.9 million overall during 2018-19 as compared to the previous year. As part of this increase, New York State Basic Formula aid payable under New York State Education Law (NYSEL) 3609a increased by \$20.5 million as compared to the previous year. The allocation of State aid is determined annually by the State of New York using factors such as District enrollment, special education requirements and poverty level. Embedded within the broad category of Basic Formula Aid is Foundation Aid, a formula driven aid, and reimbursable aids that require a district to incur expenses in advance of subsequent reimbursement the following year or years by the State. Reimbursable aids are provided for items such as transportation services and building aid. Charter School Supplemental Basic Tuition increased by \$3.0 million primarily due to increased enrollments and per student reimbursement rates. State Excess Cost Aid increased by approximately \$2.9 million as compared to the previous year. Excess Cost Aid is aid provided to the District for certain resident students with disabilities, which require special education at approved public and private schools. This aid is provided to partially defray the costs of educating children who require care in settings beyond that which is provided to disabled children who are able to be integrated within the traditional school environment. An additional net increase of \$0.8 million was due to nominal year-to-year variances in other aid such as school lunch, textbooks, hardware and software and library aids. These increases were offset by reduced New York State reimbursements in association with the Smart Schools Bond Act of 2014. This funding is used to offset District costs for facilities renovations for Pre-K programs, whiteboards, computers, internet connectivity and high-tech security. Under the Smart Schools Bond Act, the District has been designated to receive a total allocation of \$47.0 million in aid over several years beginning in 2017-18 to support technology-enabled education and broadband connectivity. The District recorded \$7.8 million in funding associated with the Smart Schools Bond Act in the District's Capital fund in the current year, as compared to \$20.1 million in the prior year, or a decrease of \$12.3 million.

Lottery aid decreased by approximately \$2.4 million during 2018-19 as compared to the previous year. Annual proceeds from the New York State Lottery are used to support elementary, middle and secondary education. The District's share of the lottery proceeds is computed according to an equalized formula based on taxable property wealth per pupil and varies in accordance with participation rates from year to year.

Buffalo, New York City, Rochester, Syracuse, and Yonkers, each with populations over 125,000, are referred to as "the Big 5" city school districts. These city school districts do not levy taxes to raise revenues as do the rest of the State's school districts. Rather, they are dependent on the portion of the city budget devoted to education each year for the local share of their budgets. The cities differ in the extent to which they allocate a portion of their budget for education; however, they must comply with certain legal requirements to demonstrate a "maintenance of effort" in this regard. Currently, the District receives a designated amount of \$119.1 million per

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

fiscal year as its allocation from the City of Rochester's budget. This amount was reduced from \$126.1 million in fiscal 2004-05 and has remained level since that time.

Other revenue increased by approximately \$11.3 million, as compared to the previous year primarily due to increases in stop loss reimbursements for claims exceeding \$500,000 associated with the District's self-insured health plan of approximately \$2.2 million, refunds of prior year expenditures for items such as tuition adjustments of approximately \$2.2 million, increases in premiums for bonds issued during the current year of approximately \$5.6 million, with the remaining increase of \$1.3 million primarily attributable to reimbursements for equipment that the District received in association with the E-Rate program. The E-rate program provides discounts to assist eligible schools and libraries to obtain affordable internet access and telecommunications services.

Board of Education expenses under general support increased by approximately \$0.5 million as compared to the previous year. The primary reason for this increase is due to costs associated with the Superintendent's search and services provided by the Distinguished Educator who was appointed by the NYS Education Department to assist the District in improving performance.

While most other areas of general support maintained a level amount of operating expenditures overall from 2017-18 to 2018-19, expenses on a government-wide basis increased in various general support programs for the proportionate share of long-term liabilities such as deferred contribution pension loans, retiree health insurance, and self-funded workers' compensation claims. As a result, expenses for finance increased by \$0.3 million, expenses for other general support staff such as human capital initiatives ("HR"), legal and communications increased by \$1.1 million, and expenses for central services such as plant facilities and maintenance, food service, the distribution center, the print shop, and non-instructional IT support increased by \$9.1 million. Similarly, other general support expenses for administrative items such as general liability and student accident insurance, dues, adjustments and disallowances, write-offs and costs to fund the preschool program that are in excess of grant funding increased by \$0.7 million.

Instructional administration and improvement expenses for curriculum, school administrative staff, records management and professional learning and related incentive payments increased by approximately \$4.9 million, as compared to the previous year. Similar to general support programs, the year-to-year operating expenditures for these areas remained stable, with the increase being driven by expenses for longer-term liabilities for deferred contribution pension loans, the District's share of the State pension, retiree health insurance, the early teachers' retirement incentive and self-funded workers' compensation claims.

Teaching expenses increased by approximately \$70.9 million, as compared to the previous year. This unprecedented increase is due to multiple factors, some of which have become targeted areas of focus for the current administration. Instructional salaries for regular education in the District's general operating fund increased by \$12.1 million as compared to the previous year, as grant funded instructional salaries decreased by \$4.3 million. This is partially due to the fact that as grants that fund instructional staff expire, the operating fund is used to sustain and fund some of these teaching positions. Substitute teacher costs continued to rise for the 5<sup>th</sup> consecutive year by \$0.9 million as compared to actual substitute expenses in 2017-18. Of this increase, \$0.5 million is attributable to substitutes used to fill vacancies, and \$0.4 million is for substitutes due

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

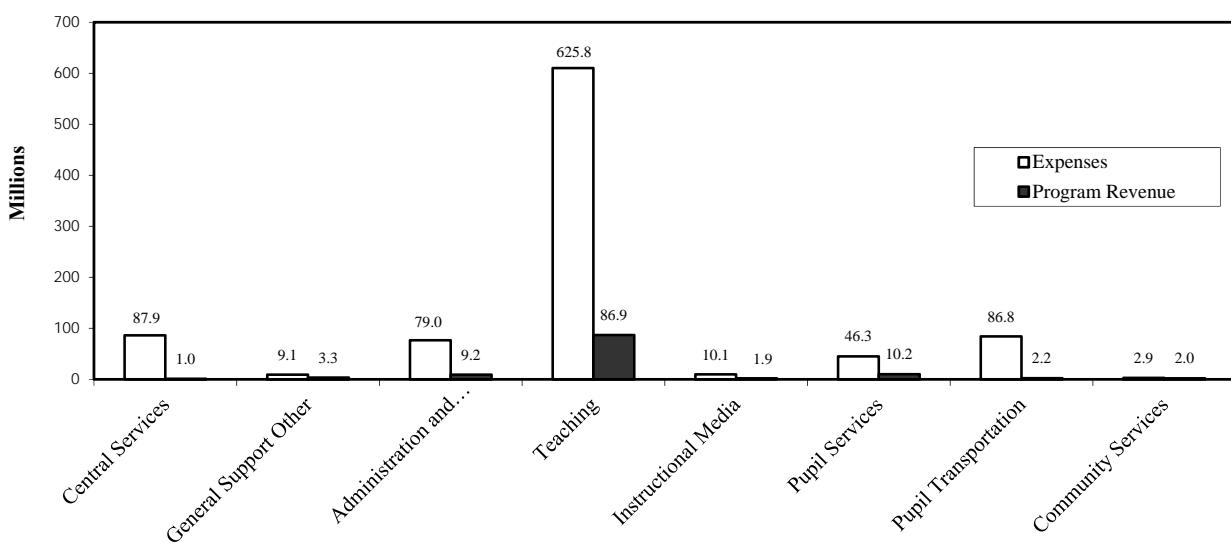
to teacher absences. Charter school tuition payments increased by \$8.6 million as compared to the previous year due to a \$594 per student rate increase in 2018-19, as well as an increase of 380 full-time equivalent students as compared to the previous year. Teaching positions increased by 250.60 FTEs as compared to the previous year. When factoring in salaries, benefits and contractual increases for these additional positions, this equates to an approximate \$25.0 million in additional teaching expenses as compared to the previous year. The additional \$28.6 million increase is primarily attributable to expenses recorded for long-term liabilities previously mentioned, such as deferred contribution pension loans, the District's share of the State pension, retiree health insurance, the early teachers' retirement incentive and self-funded workers' compensation claims.

Pupil services expenses decreased by approximately \$0.5 million, as compared to the previous year. This is primarily due to a reclassification of school psychologists from pupil services to the special education department.

Transportation expenses increased by approximately \$6.5 million, as compared to the previous year. Similar to various general support programs previously discussed, the transportation department's operating expenditures were relatively stable from year to year, however, the allocation of expenses for long-term liabilities such as a deferred contribution pension loan, the District's share of the New York State Employees' pension, retiree health insurance and self-funded workers' compensation claims were attributable to the overall increase.

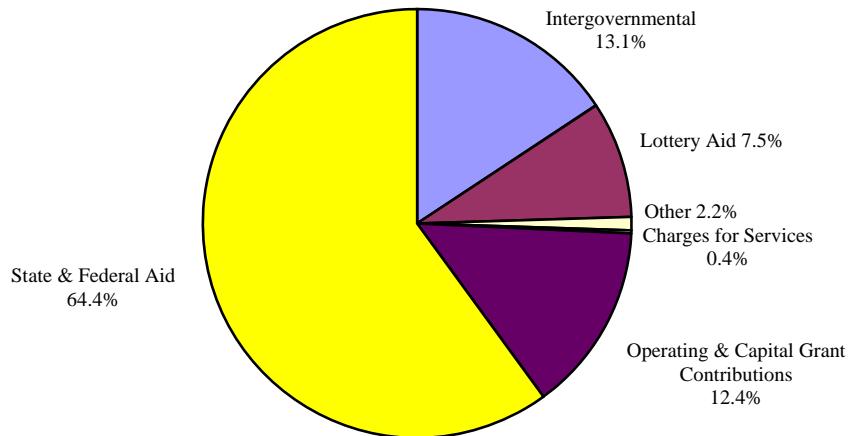
Interest on long-term debt increased by approximately \$8.6 million, as compared to the previous year. Interest payments on bonds are based on the debt structure and resulting amortization schedules. Interest payments on long-term debt continue to increase as bonds for the FMP continue to be issued. These interest payments are offset by State building aid.

**Expenses and Program Revenues – Governmental Activities  
(excludes programs with no associated revenue)**



**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

**Revenues by Source – Governmental Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District'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 District's governmental fund balance of funds reported a combined ending fund balance of \$97,202,752, an increase of \$86,471,851 from the prior year's fund balance of \$10,730,901. Components of the fund balance consist of a nonspendable fund balance of \$1,121,494, a restricted fund balance of \$108,030,879, a committed fund balance of \$148,808, an assigned fund balance of \$1,093,235 and an unassigned, deficit fund balance of (\$13,191,664). The non-spendable fund balance is the portion of the fund balance that cannot be spent because of its form, such as inventory, or that will never be converted to cash, such as prepayments. The restricted fund balance is primarily comprised of cash set-aside for future debt payments associated with the Facilities Modernization Program. The committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Education or their designee. The assigned portion of the fund balance is the portion that has been identified for intended use by the District's upper management. The unassigned portion of the fund balance is that portion of the fund balance in the District's General fund in excess of the aforementioned categories, or for any other fund that incurs a deficit fund balance.

The primary reason for the approximately \$86.5 million increase was the issuance of bonds to fund construction and renovations for the District's ongoing Capital Improvement Program (CIP) and the Facilities Modernization Program (FMP).

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

***General Fund***

The General fund is the chief operating fund of the District. At the end of the current fiscal year, the District recorded \$403,410 in prepayments classified as non-spendable fund balance, \$15,699,855 of restricted fund balance to apply to future debt service payments and an unassigned fund balance of (\$8,916,640). As a measure of the General fund's liquidity, it may be useful to compare both the assigned and unassigned portions of the general fund balance to the total fund expenditures (excluding transfers out) within a given year. At June 30, 2019, unassigned balances totaled (\$8,916,640), or approximately -1.2% of the total fund operating expenditures of \$726,456,640. Furthermore, the District's General fund balance policy currently requires a minimum of 5% of unrestricted fund balance as a percentage of operating expenditures. Since the District ended the year at -1.2%, multi-year projections to restore the fund balance by a minimum of 1.0% per year over the next several years in accordance with the District's fund balance policy are being developed. For additional information on the District's fund balance policy, refer to Note I. E. 13. of this report.

The District recognizes the urgent need to replenish the District's General fund balance while restoring financial stability to the fund. Over the past five years, the District has added more than 1,000 FTE positions as District enrollments continue to decline. As such, the District is faced with difficult and imminent decisions surrounding the right-sizing of the District's footprint. Immediate actions have been taken with respect to hiring freezes, a true-up of school and program staffing, and the implementation of procedures to reduce substitute costs. Additional areas under review include, but are not limited to, the structures of summer school, the Pre-K program, BOCES services and expanded learning time, healthcare plan efficiencies, professional development, non-mandated service contracts, bargaining unit contract negotiations and staffing levels throughout the District. Additionally, several areas of revenue including, but not limited to, Medicaid, high-cost aid, and tuition reimbursements for non-resident and McKinney Vento placements are being reviewed by both District management and external experts in these specific areas (at no additional cost to the District) in order to ensure that the District's budgeted amounts are reflected accurately and that the District's revenue sources are being fully maximized. By taking these actions, the District will restore the General fund balance to a healthier position that better supports the goals of serving our children and the community, while concurrently continuing the focus on educational improvement.

In the aggregate, revenues and other financing sources increased by 4.9%, or approximately \$35.6 million, while expenditures and other financing uses increased by 8.3%, or approximately \$61.8 million from fiscal year 2017-18 to fiscal year 2018-19. The continued outpacing of increased expenditures as compared to increased revenues from year to year contributed to a decrease in the fund balance of the General fund of approximately \$42.4 million. The other major factors as previously mentioned were a combination of underbudgeting and overexpending in several areas.

Revenues from other local sources increased by approximately \$4.2 million, as compared to the previous fiscal year. This was partially due to an increase of \$2.2 stop-loss reimbursements in 2018-19, as compared to the previous year, which corresponds with an increase in high-cost healthcare claims that occurred during the year. Stop-loss reimbursements occur when an individual health insurance claim exceeds \$500,000. As a self-insured entity with stop-loss coverage, the District is reimbursed for any individual claim amount in excess of \$500,000.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

Refunds of prior years' expenditures also increased by approximately \$2.2 million as a result of tuition rate adjustments and health care rebates. These increases were offset by \$0.2 million in decreases for E-Rate revenues and facilities rental income.

Revenues from state sources increased by approximately \$24.9 million overall, as compared to the previous fiscal year, or 4.2%. Of this increase, \$20.5 million was attributable to an increase in Basic Formula Aid, payable under New York State Education Law (NYSEL) 3609a. The allocation of Basic Formula aid is determined annually by the State of New York, and is based on a variety factors such as the state's financial position, enrollment, special education requirements and poverty level. Excess Cost Aid increased by \$2.9 million as compared to the previous year. Excess cost aid is granted for public school students with disabilities attending private schools or for students with disabilities attending public schools whose educational requirements exceed a formula-driven financial threshold. The amount of Excess Cost Aid granted in any given year is based on student enrollment, educational service requirements, and the timing of submissions for claim reimbursements. State Charter School Supplemental Basic Tuition increased by \$3.0 million as compared to the previous year due to per student rate and enrollment increases. Pursuant to amendments to NYSEL 2856 (1), in 2017-18 and thereafter, school districts will receive an apportionment equal to the amount of Supplemental Basic Tuition paid to Charter schools in each year. State Lottery and Commercial Gaming Aid decreased by \$0.7 million as compared to the previous year. Annual proceeds from the New York State Lottery are used to support elementary, middle and secondary education. Lottery apportionments are contingent upon the amount of lottery proceeds collected within any given year. The remaining \$0.8 million decrease in revenues from State sources was the net decrease in aid such as legislative aid, aid for incarcerated and homeless students, and tuition for students with disabilities.

Federal revenues decreased by approximately \$0.3 million, as compared to the previous year, or -5.8%. This reimbursement decrease was a result of decreased compliance for parental consents and prescriptions, as well as other administrative criteria necessary in submitting Medicaid claims.

District operating expenditures in the General fund increased by \$43.7 million overall, or 6.4% over the previous fiscal year and as previously mentioned, this increase in operating expenditures significantly outpaced the increase in operating revenues with comparative increases of only \$28.8 million and 4.0%.

Expenditures for general support staff and programs increased as follows: general support staff increased by \$0.2 million, or 2.0% primarily due to increases in contractual expenses and benefits for legal, HCI and communications staff, similarly central services expenditures for facilities and maintenance, storehouse, printing and mailing and non-instructional IT support increased by approximately \$2.1 million, or 4.1%, for similar reasons. Other general support expenditures decreased by approximately \$0.8 million, or -6.4%, as compared to the previous year. Of this decrease, \$0.6 million was primarily due to decreases in expenditures for unclassified and special items such as write-offs, disallowances and indirect costs, while the remaining \$0.2 decrease was primarily due to reductions in salaries for finance and central administrative staff.

Instructional related expenditures for teaching (general education programs) increased by \$24.1 million overall, or 8.7%, during 2018-19 as compared to the previous year. Approximately \$8.4 million of this increase is attributable to increases in Charter school regular education tuition. The remaining increase of approximately \$15.7 million is due to additional teaching positions

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

added during fiscal 2018-19, as well as increases in contractual salaries and benefits for existing teaching staff as well as substitute costs.

Expenditures for special programs such as occupational education and special education increased by \$19.4 million overall, or 13.9%. Special education salaries increased by \$10.5 million, as special education tuition for students placed at private and other public schools also increased by approximately \$1.9 million. Similarly, salaries and expenditures for occupational education programs increased by approximately \$3.5 million. The remaining increase of \$3.5 is attributable to substitute costs and benefit increases associated with increased staff for these programs.

Expenditures for other instructional expenditures increased by approximately \$1.5 million or 1.3% in fiscal 2018-19 as compared to the previous year. Of this increase, approximately \$1.2 million is attributable to increases in various programs that provide social and emotional support to students. With the remaining increase of \$0.3 million being primarily attributable to increases in expenditures for athletic programs.

Expenditures for debt service principal decreased by approximately \$3.3 million, or -90.0%. Of the \$3.3 million decrease, approximately \$2.7 million is attributable to a reclassification of principal payments as transfers out for consistency in reporting and presentation with the City financials. The remaining \$0.6 million is attributable to decreases in fixed amortization repayment schedules.

Transfers into the General fund increased by approximately \$6.8 million, or 149.2%. Of this amount, \$3.3 million is attributable to an increase of premium and interest earned during the fiscal year that was transferred in from the Debt Service fund. The remaining amount of \$3.5 million is attributable to increases in transfers in from the RJSCB fund to pay interest on debt.

Transfers out of the General fund increased by approximately \$18.1 million, or 27.5%. As previously mentioned, approximately \$2.7 million of this is attributable to a reclassification of principal expenditures. The additional \$15.4 million increase is primarily attributable to increases in amortized FMP Bond payments paid out of the General fund and recorded in the Debt Service fund.

***Special Aid Fund***

There was no change in the Special Aid fund balance from fiscal year 2017-18 to fiscal year 2018-19, as the Special Aid fund maintains a “zero” fund balance from year to year. Revenues and other sources and expenditures and other uses for grant funding decreased by approximately \$7.5 million, or 6.0%, as compared to the previous fiscal year. As mentioned previously, the primary reasons for this are one-time funding received in 2017-18 for costs associated with students displaced by hurricane, learning technology grants that ended in 2017-18, and the receipt of increased funding in 2017-18 for Community Schools’ Initiatives and Schools in Receivership to provide additional resources for those schools that have been identified by the State as underperforming. Although the end dates of these Community Schools and Receivership grants were extended until 2020, the majority of expenses were incurred in the fiscal year 2017-18.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

***School Food Service***

Revenues increased by approximately \$0.9 million, or 3.7%, in the School Food Service fund during fiscal 2018-19 as compared to the prior year, while expenditures remained stable between years.

The revenue increase is attributable to the receipt of an Aramark final settlement related to contractual performance in the amount of \$0.4 million. The remaining \$0.5 million increase in revenue is primarily due to an increase in utilization of federal surplus commodities which are foods that are donated from the Federal government to the District. This Federally sponsored program promotes healthier options through the purchase of fresh fruits and vegetables. In accordance with governmental accounting principles, these commodities are recorded as a revenue and an expenditure at an amount equal to the commodity value provided by the Federal government.

***Debt Service***

The City, at the request of the District, issues debt for the District that is the District's responsibility to repay. This debt, in the form of Bond Anticipation Notes (BANs) and General Obligation Bonds (Serial Bonds), is primarily issued to provide funds for purchase of equipment, land, buildings, construction of new structures, and renovation work to existing structures.

No fund balance existed in the Debt Service fund at the end of fiscal 2018-19. Any surplus balance in the Debt Service fund at the end of a fiscal year typically represents an accumulation of interest and/or premiums earned on existing, unused debt proceeds during the year. These earnings are transferred to the District's General fund and are used for repayment of future debt service requirements as per local finance law.

***Capital Projects***

The fund balance for the Capital fund for fiscal year 2018-19 increased by \$26.0 million as compared to the previous year. The primary reason for this increase is the issuance of a bond during the 2018-19 fiscal year to finance the District's ongoing Capital Improvement Plan which increased the amount of revenue from other sources in the fund.

Revenue from state and local sources in the Capital fund decreased by approximately \$15.1 million, or 74.8% as compared to the previous year. This change was primarily due to a decrease in Smart School Bond Act (SSBA) reimbursements.

Capital outlay for construction expenditures decreased by approximately \$6.5 million, or 15.0% as compared to the previous year, due to an \$11.4 million decrease in SSBA expenditures, offset partially by a \$4.9 million increase in construction project expenditures. Other financing sources increase by \$44.8 million due almost entirely to the issuance of the Series 2019 bond mentioned above.

***Rochester Joint Schools Construction Board (RJSCB)***

Under the provisions of GASB Statement No. 61, the RJSCB is presented as a blended component unit of the District. The fund balance of the RJSCB fund increased by \$102.4 million as compared to the previous year. This increase is primarily due to the issuance of the Series 2018 COMIDA Bond and its premium during 2018-19. COMIDA Bonds are issued by the Monroe

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

County Industrial Development Agency on behalf of the RJSCB. As construction expenditures occur in association with the projects funded by these bonds, the fund balance will decline until such time future funding is obtained.

Revenue from State and Local sources increased by \$6.7 million due to SSBA funding of \$4.2 million and a \$2.5 million increase in interest income. Total expenditures decreased by \$1.7 million mainly due to a slight decrease in Phase II project construction expenditures.

The net increase of other financing sources and uses was \$76.2 million primarily due the increase in the amount of bonds issued from year to year of \$73.6 million, as well as an increase in premiums associated with those bonds in the amount of \$8.7 million. These increases were offset by net decreases of \$6.1 million which were primarily attributable to transfers out to the General fund for interest payments.

**General Fund Budgetary Highlights**

	Budgeted Amounts			Variance with Final Budget	
	Adopted	Final	Actual		
<b>Revenues</b>					
Local sources	\$ 128,182,480	\$ 132,993,767	\$ 132,993,767	\$ -	-
State sources	622,465,596	618,408,416	618,408,416		-
Federal sources	2,100,000	5,174,789	5,174,789		-
Other financing sources - transfers in	5,837,153	11,373,263	11,373,263		-
	\$ 758,585,229	\$ 767,950,235	\$ 767,950,235	\$ -	-
<b>Expenditures</b>					
General support	\$ 58,261,297	\$ 58,655,637	\$ 58,641,560	\$ 14,077	
Instructional	429,387,193	404,167,175	431,849,739	(27,682,564)	
Pupil transportation	74,736,592	76,603,688	76,663,937	(60,249)	
Community services	779,821	558,843	555,256	3,587	
Employee benefits	134,631,661	157,455,068	157,183,039	272,029	
Debt service	4,312,402	1,566,401	1,563,109	3,292	
Other financing uses - transfers out	76,476,263	83,943,423	83,943,336	87	
	778,585,229	782,950,235	810,399,976	\$ (27,449,741)	
Excess (deficiency) of revenues and other financings sources over expenditures and other financing uses	\$ (20,000,000)	\$ (15,000,000)	\$ (42,449,741)	\$ (27,449,741)	

**Adopted Budget Compared to Final Budget**

Significant changes between the original and final amended budgets for general fund revenues occurred due to a net increase in Local, State, and Federal sources of \$3.8 million dollars. This net increase is almost entirely due to increases in stop loss reimbursement for health insurance (due to a high volume of high-cost claims), prior year refunds, capital fund interest earnings, and QSCB subsidies.

An increase of \$5.5 million occurred for transfers in to the General fund due to higher than anticipated borrowing levels for the financing of FMP construction during the fiscal year.

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

The most significant general fund expenditure budget changes occurred in the instructional, pupil transportation and employee benefit categories. Instructional reductions of approximately \$25.2 million mainly represent the use of the contingency fund budget line to offset shortfalls in other areas of operations, specifically employee benefits and pupil transportation. Pupil transportation increased by \$1.9 million due to increased routing demands for Charter schools and to accommodate program scheduling needs for District initiatives that evolved during the course of the fiscal year. The employee benefits category increased by \$22.8 million due to unanticipated increase in the District's health and dental insurance costs of the District's self-funded plan, as well as increases in the benefit projections for the retirement systems and social security.

Transfers out increased by \$7.5 million due to higher than anticipated borrowing levels during the fiscal year for funding of the Phase II of the Facilities Modernization Plan.

### **Final Budget Compared to Actual Results**

Revenues for local sources experienced no variance to the final budget, because the final budget was adjusted to reflect \$9.4 million in new revenues as described above.

The most significant expenditure variances between the General fund final budget and actual expenditures were unfavorable variances in the instructional category of \$27.7 million. This represents the use of the contingency fund line, which is included in the instructional category, to cover shortfalls that occurred in several areas of the budget. The main areas where the budget was overspent include health and dental benefits by approximately \$16.0 million and substitute teacher costs by approximately \$7.0 million. A significant number of high cost claims occurred during the year in association with the District's self-insurance plan which contributed to unexpected cost overruns for health insurance. A high number of vacancies resulted in unexpected increases in substitute teacher costs. The District is urgently working to manage and redress these issues as part of the realignment and right-sizing of the District's operating budget.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's capital assets, net of depreciation, for its governmental activities as of June 30, 2019 amounted to \$830,760,752. This investment in capital assets includes land, buildings, building improvements, machinery, equipment, and construction in progress. There was a net increase in the District's investment in capital assets for the current fiscal year of \$94,364,771.

Major capital asset events during the current year included the following:

- Ongoing repairs and improvements. The District added \$28.5 million in capital assets during the fiscal year consisting of long-term facility improvements and code compliance projects at facilities throughout the District. These address issues such as roof replacements, masonry repair, window and door replacements, HVAC, plumbing and electrical upgrades, lead and asbestos abatement, energy conservation projects and handicapped accessibility.
- The Rochester Joint Schools Construction Board (RJSCB) added an additional \$110.0 million in capital assets for the District during fiscal year 2018-19. These asset additions were mainly for the construction and renovation of the buildings included within

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

Phase II of the Rochester School Modernization Program (RSMP). The overall project budget for Phase II of the RSMP is \$435.0 million over five years. The anticipated completion timeframe of Phase II is the fall of 2022.

**Capital Assets (Net of Depreciation) - Governmental Activities**

	<u>2017-18</u>	<u>2018-19</u>
Land	\$ 17,349,160	\$ 17,349,160
Buildings & Improvements	506,361,574	665,118,807
Equipment & Other	11,961,179	19,447,551
Construction in Progress	200,724,068	128,845,234
<b>Total</b>	<b>\$ 736,395,981</b>	<b>\$ 830,760,752</b>

For additional information on the District's capital assets, refer to Note IV.C. of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding as follows:

	<b>Governmental Activities</b>	
	<u>2017-18</u>	<u>2018-19</u>
RCSD Bonds	\$ 99,036,602	\$ 126,212,706
RJSCB Bonds	340,230,000	516,140,000
<b>Total</b>	<b>\$ 439,266,602</b>	<b>\$ 642,352,706</b>

The City of Rochester, which issues debt on behalf of the District, has a rating of AA- from both Standard & Poor's and Fitch, and an Aa3 rating from Moody's Investors Service. The RJSCB Program has a rating of AA from both Standard & Poor's and Fitch, and an Aa2 rating from Moody's Investors Service.

The legal debt margin of the District is established by the City of Rochester Charter. The limit is 3½% of the most recent five-year average of full valuation of taxable real estate for capital purposes. The debt limit at June 30, 2019 was \$225,082,223 leaving a debt-contracting margin of \$79,869,517. The debt limit associated with the RJSCB is not subject to the City debt limit cap.

For additional information on the District's long-term obligations, refer to Note IV. H. of this report.

**Economic Factors and Next Year's Budgets and Rates**

The District is located within the City of Rochester. The Rochester's economy has experienced significant transformation and losses in manufacturing that have been offset by gains in other sectors, particularly in education, health care, and other growing small and mid-sized business sectors. The District's largest single revenue source is New York State aid; therefore, local economic challenges are further impacted by the State's struggle to respond to its own budget constraints. The economic well-being of the community including the job market and household incomes continue to have less growth than the average rate in the country and New York State. The cost of educating our children continues to outpace State and federal revenues. The District began the 2019-20 budget planning process with a projected \$48.0 million deficit. The key cost

**ROCHESTER CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTAL INFORMATION**

drivers are year-to-year increases of \$4.6 million in employee benefits due to rising health care costs, or a 3.0% increase from the 2018-19 Amended Budget; \$8.1 million in charter school tuition costs based on continuing growth in enrollment and expansion of existing charter schools, or a 10.0% increase from the 2018-19 Amended Budget; an increase of \$2.6 million in student transportation contracts, or a 4.0% increase, from the 2018-19 Amended Buget and \$1.4 million in the local share of debt service that is not offset by State Aid to fund bond payments associated with the continuing Facilities Modernization Plan. The key change to close the budget deficit is the reduction of 295.26 FTEs from the 2017-18 Amended Budget across all funds. This reflects the District's effort to align teaching and support staffing levels to account for declining student enrollment, and to freeze and reduce vacant positions. Additionally, the District has budgeted to manage a reduction in utilization of substitute teachers and temporary support staff. Despite these cost reductions, the 2019-20 budget sustains funding for District priorities such as the Facilities Modernization Plan projects, East High School Educational Partnership Organization, expanding special education, bilingual and dual language programs, building community schools, and providing emotional learning and academic support programs. The District continues to secure additional grants and other subsidies and capitalized interest to offset spending increases.

**General Fund**

The 2019-20 original budget of \$790,571,815 represents an increase of approximately 1.0% from the 2018-19 amended budget of \$782,950,235. The increase is a combination of "right-sizing" the budget as certain areas in the prior year's budget were underbudgeted as well as rising costs. Rising cost areas continue to be areas such as: contractual salary and benefit increases, increases in Charter School tuition and health insurance for active and retired employees.

**Requests for Information**

This financial report is designed to provide a general overview of the District'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 the Department of Finance, Rochester City School District, 131 West Broad Street, Rochester, New York 14614.

---

---

## **BASIC FINANCIAL STATEMENTS**

---

---

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

---

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 49,475,393
Restricted Cash and Cash Equivalents	128,865,474
Accounts Receivable	4,364,216
Due from Other Governments	74,174,484
Prepayments	535,054
Inventories	641,445
TRS Pension Asset, Proportionate Share	30,782,021
Capital Assets (net of accumulated depreciation):	
Land	17,349,160
Buildings and Improvements	665,118,807
Equipment and Other	19,447,551
Construction In Progress	128,845,234
<b>Total Assets</b>	<b>1,119,598,839</b>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding, Net of Amortization	1,098,952
Deferred Pension Outflow	177,593,871
<b>Total Deferred Outflows of Resources</b>	<b>178,692,823</b>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	95,531,639
Due To Fiduciary Funds	10,540,383
Due To Other Governments	7,197,844
Due To Retirement Systems	33,030,753
Unearned Revenue	2,023,452
Notes Payable, BANs	19,000,000
Noncurrent Liabilities:	
Retainages Payable	5,551,589
Due Within One Year	73,050,161
Due in More Than One Year	1,586,485,978
<b>Total Liabilities</b>	<b>1,832,411,799</b>
<b>Deferred Inflows of Resources</b>	
Deferred Pension Inflow	49,605,678
<b>Total Deferred Inflows of Resources</b>	<b>49,605,678</b>
<b>Net Position</b>	
Net Investment in Capital Assets	195,268,096
Restricted for Capital Expenditures	92,231,024
Restricted for Debt Service	15,699,855
Restricted for Revolving Loan Program	100,000
Unrestricted (Deficit)	(887,024,790)
<b>Total Net Position</b>	<b>\$ (583,725,815)</b>

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

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

<b>Function/Program</b>	<b>Expense</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Government Activities</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	
General Support:						
Board of Education	\$ 1,267,641	\$ -	\$ -	\$ -		(1,267,641)
Chief School Administrator	917,981	-	-	-		(917,981)
Finance	7,239,192	-	-	-		(7,239,192)
Staff	9,925,017	-	-	-		(9,925,017)
Central Services	87,854,145	879,454	115,976			(86,858,715)
Other	9,106,906	-	3,275,111			(5,831,795)
<b>Total General Support</b>	<b>116,310,882</b>	<b>879,454</b>	<b>3,391,087</b>			<b>(112,040,341)</b>
Instruction:						
Administration and Improvement	78,990,929	-	9,189,466			(69,801,463)
Teaching	625,792,535	2,474,936	84,447,467			(538,870,132)
Instructional Media	10,110,572	-	1,877,090			(8,233,482)
Pupil Services	46,309,779	-	10,170,440			(36,139,339)
<b>Total Instruction</b>	<b>761,203,815</b>	<b>2,474,936</b>	<b>105,684,463</b>			<b>(653,044,416)</b>
Pupil Transportation	86,833,529	-	2,160,942			(84,672,587)
Community Services	2,917,748	-	2,028,172			(889,576)
Interest on Long-Term Debt	31,166,652	-	-			(31,166,652)
<b>Total Governmental Activities</b>	<b>\$ 998,432,626</b>	<b>\$ 3,354,390</b>	<b>\$ 113,264,664</b>			<b>(881,813,572)</b>
General Revenues:						
Intergovernmental						119,100,000
Use of Money and Property						7,447,701
State and Federal Aid						586,763,799
Lottery Aid						68,261,177
Miscellaneous						12,617,370
<b>Subtotal, General Revenues</b>						<b>794,190,047</b>
Excess (Deficiency) of Revenues over Expenses						(87,623,525)
Net Position - Beginning						(496,102,290)
<b>Net Position - Ending</b>						<b>\$ (583,725,815)</b>

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

**ROCHESTER CITY SCHOOL DISTRICT  
BALANCE SHEET, GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019**

**(continued next page)**

	General	Special Aid	School Food Service
<b>Assets</b>			
Cash and cash equivalents	\$ 49,468,998	\$ -	\$ 6,395
Restricted cash and cash equivalents	12,748,547	-	-
Receivables:			
Accounts	4,037,498	59,474	67,114
Due from other funds	22,097,558	1,672,499	602,957
Due from other governments	39,679,581	32,671,223	1,823,680
Prepayments	403,410	55,005	-
Inventories at cost	-	-	641,445
Total assets	<u>\$ 128,435,592</u>	<u>\$ 34,458,201</u>	<u>\$ 3,141,591</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 56,236,853	\$ 7,432,695	\$ 1,036,077
Due to other funds	30,581,946	19,498,593	107,140
Due to other governments	6,191,309	1,006,535	-
Due to retirement systems	28,214,992	4,520,793	263,694
Unearned revenues	23,867	1,999,585	-
Notes payable - BANS	-	-	-
Total liabilities	<u>121,248,967</u>	<u>34,458,201</u>	<u>1,406,911</u>
Fund balances:			
Nonspendable			
Inventory	-	-	641,445
Prepayments	403,410	-	-
Restricted For			
Capital expenditures	-	-	-
Debt service	15,699,855	-	-
Revolving loan program	-	-	-
Committed For			
Revolving loan program	-	-	-
Assigned For			
School food service	-	-	1,093,235
Unassigned	(8,916,640)	-	-
Total fund balance	<u>7,186,625</u>	<u>-</u>	<u>1,734,680</u>
Total liabilities and fund balances	<u>\$ 128,435,592</u>	<u>\$ 34,458,201</u>	<u>\$ 3,141,591</u>

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

---

Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ -	\$ 49,475,393
769,291	115,347,636	128,865,474
-	200,130	4,364,216
15,673,171	-	40,046,185
-	-	74,174,484
-	76,639	535,054
-	-	641,445
<b>\$ 16,442,462</b>	<b>\$ 115,624,405</b>	<b>\$ 298,102,251</b>

\$ 1,686,212	\$ 22,669,045	\$ 89,060,882
-	398,889	50,586,568
-	-	7,197,844
31,274	-	33,030,753
-	-	2,023,452
<b>19,000,000</b>	<b>-</b>	<b>19,000,000</b>
<b>20,717,486</b>	<b>23,067,934</b>	<b>200,899,499</b>

-	-	641,445
-	76,639	480,049
-	92,231,024	92,231,024
-	-	15,699,855
-	100,000	100,000
-	148,808	148,808
-	-	1,093,235
<b>(4,275,024)</b>	<b>-</b>	<b>(13,191,664)</b>
<b>(4,275,024)</b>	<b>92,556,471</b>	<b>97,202,752</b>
<b>\$ 16,442,462</b>	<b>\$ 115,624,405</b>	<b>\$ 298,102,251</b>

**ROCHESTER CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2019**

---

Amounts reported in governmental activities in the statement of net position (page 35) are different because:

Total fund balances (page 38)	\$ 97,202,752
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	701,915,518
Construction in progress for governmental activities is not a financial resource and, therefore, is not reported in the funds.	128,845,234
Deferred charges on refunding net of amortization are not available resources and, therefore, are not reported in the funds.	1,098,952
Long-term liabilities, including bonds and retainages payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,551,531,568)
Pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,954,426)
Pension assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,782,021
Deferred outflows and inflows related to pension plans are not due and payable in the current period and, therefore, are not reported in the funds.	127,988,193
Net accrued interest expense for bonds, notes and special program bond are not reported in the funds.	(6,470,757)
Deferred amounts related to pension deferrals payable in future years are not a use of current resources and therefore, are not reported in the funds.	(11,594,000)
Premium associated with issuance of bonds are a liability in the governmental funds in the year the bonds are issued. This premium will be amortized over the life of the bond.	(86,007,734)
Net position of governmental activities	<u>\$ (583,725,815)</u>

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

***THIS PAGE INTENTIONALLY LEFT BLANK***

**ROCHESTER CITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(continued next page)

	General	Special Aid
<b>Revenues</b>		
Local sources:		
Use of money and property (interest and rent)	\$ 437,700	\$ -
Intergovernmental	119,100,000	-
Other	13,456,067	3,932,025
State sources	618,408,416	61,678,003
Federal sources	5,174,789	47,654,637
Surplus food	-	-
Sales	-	-
Total revenues	756,576,972	113,264,665
<b>Expenditures</b>		
Current:		
General Support:		
Staff	9,320,672	-
Central services	52,811,229	115,976
Other	11,628,373	3,275,111
Instructional:		
Teaching - regular school	299,244,827	27,542,843
Special apportionment programs	158,471,553	22,395,907
Other	113,132,671	58,934,645
Pupil transportation	79,537,221	2,160,942
Community services	746,985	2,028,172
Cost of sales	-	-
Debt service:		
Principal	366,839	-
Interest	1,196,270	-
Bond issue costs	-	-
Capital outlay	-	-
Total expenditures	726,456,640	116,453,596
Excess (deficiency) of revenues over (under) expenditures	30,120,332	(3,188,931)
<b>Other Financing Sources (Uses)</b>		
Bonds issued	-	-
Net premium on debt issuance	-	-
Transfers in	11,373,263	3,188,931
Transfers out	(83,943,336)	-
Total other financing sources (uses)	(72,570,073)	3,188,931
Net change in fund balances	(42,449,741)	-
Fund balances - beginning	49,636,366	-
Fund balances - ending	\$ 7,186,625	\$ -

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

---

School Food Service	Debt Service	Capital Projects	RJSCB	Total Governmental Funds
\$ -	\$ 3,964,700	\$ -	\$ 3,045,301	\$ 7,447,701
-	-	-	-	119,100,000
761,588	-	1,493,437	142,802	19,785,919
525,013	-	3,565,222	4,200,000	688,376,654
21,075,971	-	-	-	73,905,397
1,408,898	-	-	-	1,408,898
117,866	-	-	-	117,866
<b>23,889,336</b>	<b>3,964,700</b>	<b>5,058,659</b>	<b>7,388,103</b>	<b>910,142,435</b>
<hr/>				
-	-	-	-	9,320,672
-	-	-	-	52,927,205
13,423,307	-	-	-	28,326,791
-	-	-	-	326,787,670
-	-	-	-	180,867,460
-	-	-	-	172,067,316
-	-	-	-	81,698,163
-	-	-	-	2,775,157
9,964,024	-	-	-	9,964,024
-	39,220,896	-	-	39,587,735
-	28,787,509	-	-	29,983,779
-	-	-	2,850,428	2,850,428
-	-	36,838,429	125,084,634	161,923,063
<b>23,387,331</b>	<b>68,008,405</b>	<b>36,838,429</b>	<b>127,935,062</b>	<b>1,099,079,463</b>
<b>502,005</b>	<b>(64,043,705)</b>	<b>(31,779,770)</b>	<b>(120,546,959)</b>	<b>(188,937,028)</b>
<hr/>				
-	-	45,012,000	197,295,000	242,307,000
-	-	-	33,101,879	33,101,879
-	68,008,405	12,746,000	-	95,316,599
-	(3,964,700)	-	(7,408,563)	(95,316,599)
-	64,043,705	57,758,000	222,988,316	275,408,879
502,005	-	25,978,230	102,441,357	86,471,851
1,232,675	-	(30,253,254)	(9,884,886)	10,730,901
<b>\$ 1,734,680</b>	<b>\$ -</b>	<b>\$ (4,275,024)</b>	<b>\$ 92,556,471</b>	<b>\$ 97,202,752</b>

**ROCHESTER CITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

Amounts reported for governmental activities in the statement of activities (page 36) are different because:	86,471,851
Net change in fund balances -- total governmental funds (page 42)	
Proceeds from long-term debt are recorded as other financing sources for governmental funds but are not recorded in the statement of activities. Proceeds of long-term debt are recorded as liabilities.	(242,307,000)
Amortization recorded in the statement of activities that does not use current financial resources is not reported as an expenditure in the funds.	(301,876)
Debt service principal is recorded as an expenditure for governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.	40,254,402
Financing of retirement expenses are long term obligations recorded in the statement of activities but not in the statement of revenue, expenditures and changes in fund balance [ERS \$533,190, TRS \$2,431,971].	2,965,161
The net increase in long-term debt for governmental funds is not recorded as an expenditure in the governmental funds. Such expenditures for changes in the liabilities for other postemployment benefits, pensions, claims payable and compensated absences are recorded in the statement of net position.	(21,801,273)
Capital projects expenditures for construction in progress are recorded in the funds as expenditures; such expenditures are not recorded in the statement of activities because they are considered capital assets.	138,441,564
Capital projects expenditures for capital assets and certain equipment and building improvements are recorded in the funds as expenditures. Such expenditures are not recorded in the statement of activities because they are considered capital assets.	956,437
Depreciation is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(39,125,971)
Depreciation associated with disposed assets is recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	18,787,998
Asset disposals are recorded in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(24,695,257)
Increase in retainages recorded in the statement of activities and do not use current financial resources are not reported as an expenditure in the funds.	43,229
Decrease in proportionate share of net pension asset (liability) reported in the statement of net position do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds [ERS (\$8,380,210), TRS \$18,494,883].	10,114,673
Increase in proportionate share of net deferred inflow and outflow reported in the statement of net position for the difference during the measurement period between the District's contributions and its proportionate share of the total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds [ERS (\$125,239,668), TRS \$120,716,646].	(4,523,022)
The net decrease for the food service long-term receivable is recorded in the statement of activities but not recorded as a revenue in the governmental funds.	(500,000)
Decrease in deferred OPEB outflow reported in the statement of net position for retiree costs between the measurement period and the end of the fiscal year.	(21,184,720)
The net interest and premiums on bonds and notes is accrued in the statement of activities but not in the statement of revenues, expenditures, and changes in fund balances - governmental funds.	(31,219,721)
Changes in net position of governmental activities	<u>(87,623,525)</u>

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

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2019**

---

	<b>Agency Fund</b>	<b>Private Purpose Trust Fund</b>
<b>Assets</b>		
Restricted Cash and Cash Equivalents	\$ 757,309	\$ 233,408
Due from Other Funds	10,499,027	41,356
Total Assets	<hr/> <u>\$ 11,256,336</u>	<hr/> <u>\$ 274,764</u>
<b>Liabilities and Net Position</b>		
Accrued Liabilities	\$ 8,515,729	\$ -
Due to Student Groups	150,189	-
Due to Retirement Systems	2,590,418	-
Total Liabilities	<hr/> <u>11,256,336</u>	<hr/> <u>-</u>
<b>Net Position</b>		
Held in Trust for Scholarships and Awards	-	274,764
Total Liabilities and Net Position	<hr/> <u>\$ 11,256,336</u>	<hr/> <u>\$ 274,764</u>

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

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Private Purpose  
Trust Fund**

**Additions:**

Interest	\$ 591
Scholarships	1,130
Gifts and Donations	<u>2,095</u>
Total additions	3,816

**Deductions:**

Scholarships	12,000
Gifts and Donations	<u>600</u>
Total deductions	<u>12,600</u>

**Change in Net Position** (8,784)

**Net Position - Beginning** 283,548

**Net Position - Ending** \$ 274,764

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

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Rochester City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The Board of Education of the District operates the public schools in the City of Rochester, New York (the City). The members of the District's Board of Education are elected by popular vote. The District has no independent power to contract bonded indebtedness or to levy taxes. Although a separately elected Board of Education governs the operations of the District, the City of Rochester Charter states that the budget of the District must be approved by the City. The City Charter outlines how the allocation of revenues and debt-incurring power between the City and the District will be conducted. As a result of the City Charter provisions, the District is fiscally dependent upon the City. The City is financially accountable for the District. These financial statements are the result of the District's financial operations for fiscal year July 1, 2018 to June 30, 2019. Of these financial statements, the Statement of Net Position and Statement of Activities are included in the City's financial report, the reporting entity, as a discretely presented component unit.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The cash balances are reported in the Agency Fund of the District. Separate financial statements (cash basis) of the Student Activity Funds can be found on pages 131 – 132 of this report.

The Rochester Joint Schools Construction Board (RJSCB) is included in these financial statements as a blended component unit, a governmental fund type. The RJSCB was created through the City of Rochester and the Board of Education of the City School District under the City of Rochester School Facilities Modernization Program Act (the "Act") as authorized by the State of New York through Chapter 416 of the Laws of 2007 of the State of New York and created through an agreement (the "Memorandum of Understanding") dated January 2010 by and between the City and the District. Pursuant to the Act, the RJSCB intends to undertake a project consisting of the design,

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

reconstruction, or rehabilitation of existing school buildings for their continued use as schools by the District. Statements of RJSCB can be obtained from the RJSCB's Executive Director, located at 70 Carlson Road, Suite 200, Rochester, New York 14610.

**B. Government-Wide Financial Statements**

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the District. The revenue and expenses from interfund activity has been netted in the process of consolidation.

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

The District reports all direct expenses by function in the Statement of Activities. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included as a direct expense for each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**C. Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements. The District considers all of its governmental funds as major funds and therefore these funds are reported as separate columns in the fund financial statements. These major funds are:

**General Fund** – This fund is the District's general operating fund. This fund is used to account for all financial resources except those required to be accounted for in other funds.

**Special Aid Fund** – This fund is used to account for special projects and programs supported chiefly with Federal, State and local funds. The proceeds are legally restricted to expenditures for specified purposes.

**School Food Service Fund** – This fund is used to record the transactions of the District's breakfast, lunch, and milk programs. The proceeds are used for expenditures for specified purposes.

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

**Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and the purchase of equipment.

**Rochester Joint Schools Construction Board (RJSCB) Fund** – This fund is used to record the transactions associated with the design, construction, reconstruction, and financing of public educational facilities in the City. The RJSCB is authorized to act as an agent to enter into contracts on behalf of the Board of Education in accordance with applicable state and local laws.

The District also reports fiduciary funds in its financial statements in which the District acts as trustee or agent for resources that are the property of others. These activities are not included in the

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

government-wide financial statements, because their resources are not the property of the District, and are not available to be used. The fiduciary funds are as follows:

**Agency Fund** – This fund is custodial in nature and does not involve the measurement of results of operations. Assets are held by the District, acting as agent, for various student activities, health, contract performance, and payroll or employee withholdings.

**Private Purpose Trust Fund** – This fund is used to account for trust arrangements in which principal and income benefits third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine the benefactors.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, with the exception of the agency fund, which has no measurement focus, but does employ the accrual basis of accounting for purposes of asset and liability recognition. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues 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 all governmental funds, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits and compensated absences are recorded only when payment is due.

The District, in general, is normally expected to liquidate liabilities with expendable available financial resources to the extent that the liabilities mature (come due for payment) each period.

The primary sources of revenues that are recognized in the period in which they become available and measurable are: reimbursements from State and Federal governments for expenditures, state aid, charges for tuition services and Medicaid reimbursement.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

New York State General Municipal Law (Article 2 Section 11) governs the City's investment policies on behalf of the District. The City is authorized to deposit or invest funds in banks or trust companies located and authorized to do business in New York State on the District's behalf. 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,

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. 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, obligations of New York State or obligations of any municipal corporation, school district, or district corporation of the State of New York.

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

In addition, income from investments associated with one fund may be assigned to other funds because of legal or contractual provisions. As such, investment income of \$3,964,700 for fiscal year 2018-19, associated with the Capital Projects Fund, was assigned to the Debt Service Fund.

**2. Restricted Assets**

Certain assets are classified as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund are restricted specifically for those purposes. For more information on restricted assets, refer to Note IV. A. of this report.

**3. Accounts Receivable**

Accounts receivable are shown at net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been established since management has determined that all accounts receivable are considered collectible.

**4. Interfund Transactions**

The receivables and payables between the funds of the District occur due to operating accounts being maintained by a single fund for deposits and disbursements. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts as a net balance based upon the right of legal offset. For more information on interfund transactions, refer to Note IV. D. of this report.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**5. Inventories**

Inventories of food and supplies in the School Food Service fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in the School Food Service fund are accounted for using the purchases method, which records expenditures at the time of purchase. The School Food Service fund recorded \$641,445 in inventory at June 30, 2019. This inventory is classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

**6. Capital Assets**

Capital assets, which include property, buildings, building improvements, and equipment, are reported in the government-wide financial statements. The District defines capital assets as items with an initial individual cost of more than \$4,999 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or fair value if donated. Any donated capital assets, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Only equipment, new construction, renovations or major additions to buildings are capitalized. All costs of maintenance and repairs are considered as not adding to the value of the asset or materially extending asset lives and are therefore not capitalized. Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	25
Improvements (Other Than Buildings)	20
Equipment	3-10

**7. Prepaid Items**

The District utilizes the consumption method to record prepaid expenditures. As of June 30, 2019, the General fund recorded prepaid expenditures in the amount of \$403,410 for self-insured health insurance administrative and stop loss fees, health insurance and travel reservations. Prepayments of \$55,005 were recorded in the Special Aid fund for travel reservations and for employee registrations in a Harvard Leadership program. Additionally, prepayments of \$76,639 recorded in the RJSCB fund was primarily for prepaid insurance. These prepayments will be recorded as expenditures during fiscal year 2019-20. Prepayments are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

refunded or refunding debt. The other item is related to pensions reported in the government-wide Statement of Net Position. Refer to Note V.B. for additional details on deferred pension outflows.

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

**9. Unearned Revenue**

The District received cash in advance of expenditures in the amount of \$23,867 in the General fund at June 30, 2019 for lease prepayments associated with the utilization of a parking lot. The District also received cash in advance of expenditures in the amount of \$1,999,585 for Special Aid fund projects during fiscal year 2018-19. These funds represent receipts for various grants that were not fully spent as of June 30, 2019. As the funds are spent during fiscal year 2019-20, revenue will be recorded.

**10. Vested Employee Benefits**

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation or death, employees do not receive a payment for any unused, accumulated sick leave as part of their final payroll.

District employees are granted vacation and personal days in varying amounts, based primarily on length of service, service position, and/or bargaining unit. These benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year-end.

In the fund statements only, the amount of matured vacation time is accrued within the General fund based on expendable and available resources. Sick time is expensed on a pay-as-you-go basis.

It is the District's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued and it is based on past employee service and current pay rates in effect at the end of the fiscal year. All vacation pay is accrued when incurred in the fund basis and government-wide financial statements. A liability of \$1,889,478 is recorded on the fund basis balance sheet for compensated absences incurred during fiscal 2018-19, but expected to be paid within 60 days of the end of the fiscal year, and a non-current liability of \$3,408,626 has been recorded on the Statement of Net Position for estimated vacation expense incurred during 2018-19, but expected to be paid after 60 days, but within one year of the end of the fiscal year.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**11. Postemployment Benefits**

In addition to providing pension benefits, the District provides postemployment health insurance coverage to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method. For additional information on postemployment health coverage, refer to Note V.C.

**12. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums, if any, would be recorded in the Debt Service fund and deposited in the General and/or Rochester Joint Schools Construction Board (RJSCB) fund to be used to retire the respective debt. The bond issuance costs are recorded by the City, the reporting entity that issues debt for the District. Issue costs associated with the Facilities Modernization Program are recorded by the RJSCB.

In the fund financial statements, governmental fund types recognize bond principal and interest during the current period. The face amount of the debt issued, as well as any premiums or discounts are reported as other financing sources.

**13. Fund Equity**

Government-wide Statements - In the government-wide statements there are three classes of net position:

*Net investment in capital assets* - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

*Restricted net position* - reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

Fund Statements - In the fund statements there are five classes of fund balance:

*Nonspendable fund balance* – Includes amounts that cannot be spent because it is either not in spendable form or is legally or contractually required to remain intact. This would include prepayments and inventory in the School Food Service fund.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

*Restricted* – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or legislation.

*Committed* – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Formal action via adopted Board Resolution initiated by the Board of Education is required to establish, modify or rescind fund commitments.

*Assigned* – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances and appropriated fund balances of the General fund are classified as assigned fund balance. Under the District's Fund Balance Policy No. 600, adopted on August 25, 2011, the Superintendent and the Chief Financial Officer of the District as the Superintendent's designee, were delegated the authority to assign amounts to a specific purpose during the 2018-19 financial reporting period.

*Unassigned* – Includes all other General fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the District or deficit fund balance in funds other than the General fund.

The District shall maintain a minimum unrestricted General fund balance between 5% to 15% of the General fund annual operating expenditures. Expenditures are to be spent from restricted fund balance first and then from unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

**14. Encumbrances**

The District maintains existing arrangements to enter into future transactions or events, such as long-term contractual obligations for goods and services expected to be honored upon performance or delivery by the vendor in the next year. As of June 30, 2019, the District has \$568,567 in General fund encumbrances.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

**G. Subsequent Events**

On August 7, 2019, the City of Rochester (City) issued a revenue anticipation note (RAN) in the amount of \$50 million which will mature on May 29, 2020 with interest payable at maturity. The RAN will be used to cover any cash deficits that arise primarily as a result of timing mismatches between State Aid receipts and expenditures during the course of the fiscal year borrowing period.

As part of the District's ongoing capital improvement program, the City issued \$37,850,000 in BANs on behalf of the District on August 7, 2019. The new BANs will be used to pay for construction improvements in association with the District's annual capital improvement program (CIP).

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

These financial statements have not been updated for subsequent events occurring after December 3, 2019 which is the date these financial statements were made available to be issued.

**II. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The Governmental Fund Balance Sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the Government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds and retainages payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this (\$1,551,531,568) difference are as follows:

Bonds payable	\$ (642,352,706)
Compensated absences	(3,408,626)
Other post-employment benefits	(856,702,592)
Due to other governments	(10,666,666)
Claims payable	(32,849,389)
Retainages payable	<u>(5,551,589)</u>
	<u>\$ (1,551,531,568)</u>

**B. Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities.

One element of that reconciliation states that, “Debt service principal is recorded as an expenditure for the governmental funds but is not recorded in the statement of activities. Debt service principal payments are reductions in liabilities.” Details of this \$40,254,402 difference are as follows:

Bond principal payments	\$ 39,220,896
Contractual obligation principal payments	<u>1,033,506</u>
	<u>\$ 40,254,402</u>

Another element of that reconciliation states that, “Net increases in long-term debt for governmental funds is not recorded as an expenditure in governmental funds.” Details of this (\$21,801,273) difference are as follows:

Claims payable	\$ (7,709,676)
Other post-employment benefits	(13,770,831)
Compensated absences	<u>(320,766)</u>
	<u>\$ (21,801,273)</u>

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgeting Policy**

The budget of the District allocates resources to meet the District's commitment to educational excellence for all students. The budget period for fiscal year 2018-19 began on July 1, 2018 and ended on June 30, 2019. By City Charter, the Board of Education must submit a balanced budget to the Mayor and City Council for approval. The budget, which includes the General, Special Aid, Debt Service, and School Food Service funds, is prepared on a modified accrual, non-GAAP budget basis and is the only legally adopted annual budget of the District. The reason the budget is prepared on a non-GAAP budget basis is the inclusion of encumbrances as expenditures. Reconciliation of non-GAAP basis budget and actual financial figures is presented in the individual Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – for General, Special Aid, and School Food Service Fund Types, non-GAAP Budget Basis.

The "basis of accounting" determines when a transaction or event is recognized in a fund's operating statement. The accounts used to record transactions associated with budget utilization are maintained on the modified accrual basis of accounting.

The District's budget process allocates resources based on assessment, planning, and program initiatives that place emphasis on the needs of students and efforts to foster student academic performance. The Superintendent presents their budget recommendations for the Board of Education's consideration in April. The Board reviews the Superintendent's Proposed Budget, modifies or directs changes to be made, conducts a public hearing, and adopts the Budget for submission to the Mayor.

Legal spending control for District monies is at the fund level, but management control is exercised at budgetary line item levels within each fund. The fund level is the total amount budgeted for a fund plus revenues in excess of the originally adopted budget and the fund's unappropriated fund balance. The Board of Education authorizes management to make transfers between the various budgetary line items in any fund within the fund level.

Amendments to the originally adopted budget, which exceed the legal spending control, would require approval from the Board of Education. Amendments to the originally adopted budget, not exceeding the legal spending control, may also be approved by the Board of Education. The budgetary data presented in the financial statements reflects all approved budget transfers and budget amendments. The approved budget amendments totaled \$4,365,006 for the General Fund and (\$610,664) for the School Food Service Fund.

A system which recognizes an encumbrance of the budget or approval of a purchase order is used for accounting purposes during the fiscal year. In accordance with State requirements, only current year and prior year encumbrances are recorded as part of the fund balance at the end of the fiscal year.

**B. Deficit Fund Balance**

At June 30, 2019, the Capital Projects Fund has a deficit fund balance of \$4,275,024. The deficit in the Capital Projects fund is the result of the issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an inflow on the statement of revenues, expenditures, and changes in fund balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

resources for the fund, the result is an overall deficit. This deficit will be eliminated as resources are obtained (e.g. from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

**IV. DETAIL NOTES ON ALL FUNDS**

**A. Cash and Cash Equivalents**

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 both the City and the District.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$757,309 reported in the Agency fund restricted for extraclassroom activities and flexible spending withholdings, \$115,347,636 reported in the RJSCB fund primarily comprised of unexpended bond proceeds, \$769,291 in the Capital Projects fund comprised of unexpended BAN proceeds, \$12,748,547 reported in the General fund for funds held in trust for future debt payments, and \$233,408 reported in the Private Purpose Trust fund for scholarships and awards.

Investment and Deposit Policy – The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the City on behalf of the District.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, it is the City's policy to generally 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, District investments are limited to obligations of 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 – Custodial credit risk occurs in the event of a failure of the counterparty in which the City will not be able to recover the value of its or the District's investments or collateral securities that are in possession of an outside party. In compliance with New York State law, City and District deposits (above FDIC limits) and investments are protected with custodial agreements which require government securities to be equal to or greater than 102% of the daily investment and held by a third party in the City's name.

Concentration of Credit Risk – To promote competition in rates and service cost, and to limit the risk of institutional failure, District 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 limited to those affiliated with the New York Federal Reserve Bank as primary dealers.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Cash** - At year-end, the District's cash was \$70,480,794. These deposits, which are above the level insured by FDIC, were collateralized at 102% with U.S. Government securities held by a third party.

**Cash Equivalents** - At year-end, the District had cash equivalents in the form of money markets at fair value of \$107,860,073. Cash equivalents were collateralized at 102% with U.S. Government securities held by a third party.

**Investments** - At year-end, the District had no investments.

**B. Receivables**

As of year ended June 30, 2019, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

<b>General</b>	<b>Special Aid</b>	<b>School Food Service</b>	<b>RJSCB</b>	<b>Total</b>
\$4,037,498	\$59,474	\$67,114	\$200,130	\$4,364,216

The General fund receivable primarily represents funds due to the District for facilities rental and related utility usage, as well as health plan and union release time reimbursements. The Special Aid fund receivable represents accrued revenues for locally funded grants. The School Food Service fund receivable represents amounts due the District for food rebates and Charter School meals served during fiscal 2018-19. The RJSCB fund receivable was for interest earnings.

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2019 is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 17,349,160	\$ -	\$ -	\$ 17,349,160
Construction in Progress	200,724,068	138,441,564	210,320,398	128,845,234
Total capital assets not being depreciated	218,073,228	138,441,564	210,320,398	146,194,394
Capital assets being depreciated:				
Buildings & Improvements	867,297,258	199,388,924	23,538,475	1,043,147,707
Equipment & Other	47,873,569	11,887,911	1,156,782	58,604,698
Total capital assets being depreciated	915,170,827	211,276,835	24,695,257	1,101,752,405
Less accumulated depreciation for:				
Buildings & Improvements	(360,935,684)	(34,755,847)	(17,662,631)	(378,028,900)
Equipment & Other	(35,912,390)	(4,370,124)	(1,125,367)	(39,157,147)
Total accumulated depreciation	(396,848,074)	(39,125,971)	(18,787,998)	(417,186,047)
Total capital assets being depreciated, net	518,322,753	172,150,864	5,907,259	684,566,358
District capital assets, net	\$ 736,395,981	\$ 310,592,428	\$ 216,227,657	\$ 830,760,752
Depreciation expense was charged to functions of the District in the statement of activities as follows:				
Instructional teaching regular school	\$ 34,276,425			
General support central services	4,443,621			
Pupil transportation	347,312			
Community services	58,613			
	<u>\$ 39,125,971</u>			

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**1. Significant Construction Commitments**

The District, along with the RJSCB, capitalized \$139,398,002 of assets during fiscal year 2018-19. These disbursements were for equipment, land, construction in progress, and improvements to various facilities. It is estimated that \$140.0 million will be disbursed by the District and \$539.5 million will be disbursed by the RJSCB on capital asset items during the next five fiscal years.

**2. Asset Impairment and Insurance Recoveries**

During fiscal year 2018-19, the District had no material asset impairments or insurance recoveries.

**3. Accounting and Financial Reporting for Intangible Assets**

Internally generated software could be either software that is created in-house or licensed software that requires more than minimal incremental effort to be made operational. All costs are reviewed and, with the assistance of the IT department, segregated into one of three stages: Preliminary Project Stage, Application Development Stage, or Post-Implementation/Operation Stage. Only the licenses and costs associated with the Application Development stage are capitalized. As a general rule, the RCSD employs outside consultants to provide functional assistance in software implementation.

**D. Interfund Receivables, Payables, and Transfers**

**1. Interfund Receivables and Payables**

The interfund receivables and payables result primarily from using a consolidated cash account and processing reimbursements. These interfund receivables and payables are short-term and are typically repaid in less than one year. The following schedule summarizes interfund receivables and payables at June 30, 2019:

Fund	Interfund Receivable	Interfund Payable
General	\$ 22,097,558	\$ 30,581,946
Special Aid	1,672,499	19,498,593
School Food Service	602,957	107,140
Capital Projects	15,673,171	-
RJSCB	-	398,889
Private Purpose Trust	41,356	-
Agency	10,499,027	-
<b>Total</b>	<b>\$ 50,586,568</b>	<b>\$ 50,586,568</b>

**2. Interfund Transfers**

Transfers are a routine annual event for both the budget and accounting process. Such transfers facilitate annual contributions from operating budgets for debt service and capital projects. The following schedule summarizes interfund transfers at June 30, 2019:

Fund	Transfers In	Transfers Out
General	\$ 11,373,263	\$ 83,943,336
Special Aid	3,188,931	-
Debt Service	68,008,405	3,964,700
Capital Projects	12,746,000	-
RJSCB	-	7,408,563
<b>Total</b>	<b>\$ 95,316,599</b>	<b>\$ 95,316,599</b>

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**E. Due from Other Governments**

As of year ended June 30, 2019, management believes the following accounts receivable to be fully collectible within the subsequent fiscal year:

Fund	Local	State	Federal	Total
General	\$ 7,339,790	\$ 31,240,338	\$ 1,099,453	\$ 39,679,581
Special Aid	4,438,948	20,167,065	8,065,210	32,671,223
School Food Service	-	106,834	1,716,846	1,823,680
<b>Total</b>	<b>\$ 11,778,738</b>	<b>\$ 51,514,237</b>	<b>\$ 10,881,509</b>	<b>\$ 74,174,484</b>

**F. Operating Leases**

The District leases various property and equipment under operating leases. In addition, the District leases property to third parties. The District receipts are the result of subleasing. The rental income and expenditures for the fiscal year 2018-19 for operating leases was approximately \$73,000 and \$4.8 million, respectively, not including NYS lease aid.

The following is a schedule of the total future minimum rental commitments required under operating leases as of June 30, 2019:

Fiscal Year	Receipts	Payments
2019-20	\$ 2,676,751	\$ 30,000
2020-21	2,667,231	30,000
2021-22	2,673,368	30,000
2022-23	2,680,092	30,000
2023-24	1,763,357	30,000
	<b>\$ 12,460,799</b>	<b>\$ 150,000</b>

The District anticipates receiving approximately \$1.2 million in NYS lease aid annually, over the next five years to offset the payment amounts shown.

**G. Short-Term Debt**

All short-term debt was in the form of bond anticipation notes (BANs), which were used to provide funding for various capital construction and improvement projects. The amounts issued during fiscal 2018-19 are accounted for in the Capital fund. State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid.

The schedule below details the changes in short-term debt for the year ended June 30, 2019:

	Balance <b>June 30, 2018</b>		Issues		Redeemed		Balance <b>June 30, 2019</b>
BANs (District)	\$ 47,758,000		\$ 19,000,000		\$ 47,758,000		\$ 19,000,000

**H. Long-Term Debt**

The District's General fund is used to liquidate all long-term liabilities, as well as debt related liabilities. The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2019:

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Balance June 30, 2018	New Issues/ Additions	Maturities/ Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 3,087,860	\$ 6,810,160	\$ 6,489,394	\$ 3,408,626	\$ 3,408,626
Claims Payable -					
Workers' Compensation	25,139,713	4,057,250	5,047,574	24,149,389	5,823,872
TRS Incentive (Local)	-	8,700,000	-	8,700,000	1,740,000
Other Post Employment Benefits	842,931,761	40,741,763	26,970,932	856,702,592	-
Due to Other Governments -					
NYS Lottery Advance	11,333,333	-	666,667	10,666,666	666,666
NYS ERS Loan Payable	4,311,300	-	533,190	3,778,110	550,083
NYS TRS Loan Payable	10,247,861	-	2,431,971	7,815,890	2,516,630
ERS Pension Liability*	7,574,216	8,380,210	-	15,954,426	-
Installment Purchase Debt	366,839	-	366,839	-	-
General Obligation Bonds -					
District Serial Bonds	99,036,602	45,012,000	17,835,896	126,212,706	20,197,706
Premium	8,106,409	3,851,548	1,297,762	10,660,195	1,297,762
School Facilities Revenue Bonds-					
FMP Serial Bonds	340,230,000	197,295,000	21,385,000	516,140,000	31,230,000
Premium	47,864,476	33,101,879	5,618,816	75,347,539	5,618,816
Total Long Term Liabilities	<u>\$ 1,400,230,370</u>	<u>\$ 347,949,810</u>	<u>\$ 88,644,041</u>	<u>\$ 1,659,536,139</u>	<u>\$ 73,050,161</u>

\* Additions to ERS pension liability is presented net of decreases

Compensated absences paid in fiscal year 2018-19 totaled approximately \$6.0 million, excluding payroll taxes. This amount is reflected in maturities/reductions along with any balance remaining from fiscal year 2017-18. The new issues/additions reflect the new long-term liability at June 30, 2019. The General fund is typically used to liquidate all long-term liabilities, as well as debt related liabilities. The schedule below presents the changes in estimated workers' compensation, which are included in claims payable.

<b>Workers' Compensation</b>
Estimated claims June 30, 2017
\$ 25,070,706
Additions 2017-18
5,777,532
Payments 2017-18
<u>5,708,525</u>
Estimated claims June 30, 2018
<u>25,139,713</u>
Additions 2018-19
4,057,250
Payments 2018-19
<u>5,047,574</u>
Estimated claims June 30, 2019
<u><u>\$ 24,149,389</u></u>

Also included in claims payable are amounts due to teachers who retired on or before June 30, 2019 under the District's early retirement incentive agreement. These individuals will receive an annual payment of \$10,000 for the next five years beginning in January 2020.

Due to Other Governments includes a lottery aid advance from the New York State Education Department (SED) and deferred ERS and TRS pension liabilities for loans, as well as the net pension plan liability.

During fiscal 2004-05, the SED issued an advance of lottery revenues in the amount of \$20,000,000 as part of a special legislative initiative to assist with budget constraints. These

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

funds will be repaid over 30 years at 0% interest. The repayments began in fiscal 2005-06 and are recorded as annual deductions to state aid revenue.

During fiscal 2013-14, in an effort to manage steeply rising pension costs, the District elected to participate in the ERS and TRS Contribution Stabilization Programs (“pension smoothing programs”). These programs enabled the District to defer a portion of their required contributions for repayment in future years. Due to favorable plan rates in subsequent years, the District opted out of the ERS program in 2015-16 and the TRS program in 2016-17. As a result, a TRS loan for the amount deferred was incurred. This loan is repayable in five annual installments of \$2.7, including interest, which began in 2017-18. The amount of interest outstanding at June 30, 2019 was approximately \$0.6 million. Similarly, an ERS loan payable totaling \$3.8 million at June 30, 2019 is being repaid in ten annual installments of approximately \$0.7 million, including interest, which began in 2015-16. The amount of interest outstanding at June 30, 2019 was approximately \$0.5 million.

During 2010-11, the debt associated with Energy Performance upgrade projects was refinanced at an interest rate of 3.06%. A net savings of \$193,617 occurred as a result of the debt refinancing. Final payment of approximately \$0.4 million was made during fiscal 2018-19.

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 the period equivalent to one-half of the period of probable usefulness for each improvement as defined by New York State Local Finance Law. Interest rates range from 2.00% to 5.521%. School facility revenue bonds are bonds issued at 5% interest for the School Modernization Program (FMP) for which the District’s State Aid is pledged. The original amounts of these bonds outstanding at June 30, 2019 are as follows:

Maturity 2018-19				Maturity 2018-19			
Series	Issue Amount	Date	Rate	Series	Issue Amount	Date	Rate
<b>RCSD General Obligation Bonds</b>							
2008B	10,797,000	10/1/26	4.00	2012A	66,190,000	5/1/2022	5.00
2009C1	58,470,000	2/10/24	5.11	2012B	57,910,000	5/1/2028	5.00
2012 I	20,548,000	8/15/27	4.00	2013	103,055,000	5/1/1930	5.00
2012 II	5,655,000	8/15/19	2.00	2015	44,225,000	5/1/1931	5.00
2012 III	9,640,000	2/15/25	4.00	2017	123,670,000	5/1/1933	5.00
2012 IV	7,525,000	10/15/21	4.00	2018	197,295,000	5/1/1935	5.00
2012 V	14,965,000	2/15/22	4.00				
2013 II	27,015,000	2/1/29	5.00				
2015 I	18,880,000	8/1/30	5.00				
2016 I	17,271,400	10/15/24	4.00				
2018 II	45,012,000	8/1/33	4.00				

Pursuant to the City of Rochester Charter, the District’s debit limit is 3.5% or 9% of the five year valuation, or a debt limit of \$222,170,000 as of June 30, 2019. The District had \$25,795,000 of authorized but unissued debt as of June 30, 2019. The debt-contracting margin of the District as of June 30, 2019 was \$79,869,517.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

As a result of federal stimulus legislation that was enacted in early 2009, Build America Bonds (BAB) were issued. These bonds offer municipalities a 35% federal subsidy on interest payments on those BABs that are taxable. These subsidies were paid semi-annually through February 2019. On December 30, 2009, the District was issued a taxable BAB in the amount of \$1,710,000, the final payment of which occurred during fiscal 2018-19.

The District paid no arbitrage to the Federal Government during 2018-19. Arbitrage rebates pertain to tax-exempt bonds and certain profits earned by investing the proceeds of such tax-exempt bonds. Long-term indebtedness will be funded by the General fund.

2. The following long-term debt service requirements schedule is recorded at gross amounts (000's omitted) for District and RJSCB Serial Bond payments outstanding as of June 30, 2019:

<b>Fiscal Year Ending June 30</b>	<b>District Principal</b>	<b>District Interest</b>	<b>JSCB Principal</b>	<b>JSCB Interest</b>	<b>Total</b>
2020	\$ 20,198	\$ 4,883	\$ 31,230	\$ 25,330	\$ 81,641
2021	18,725	3,978	33,570	23,768	80,041
2022	14,690	3,180	35,175	22,090	75,135
2023	13,300	5,756	36,625	20,557	76,238
2024	11,565	1,066	38,035	19,151	69,817
2025-29	33,085	5,756	209,195	69,628	317,664
2030-34	14,650	1,066	131,375	18,334	165,425
2035-39	-	-	935	47	982
	<b><u>\$ 126,213</u></b>	<b><u>\$ 25,685</u></b>	<b><u>\$ 516,140</u></b>	<b><u>\$ 198,905</u></b>	<b><u>\$ 866,943</u></b>

#### I. Bond Anticipation Notes (BANs)

It has been the District's practice to fund capital projects for up to five years with BANs. BANs are converted to bonds when the final project costs are known and when long-term rates are most favorable, a strategy which minimizes the District's interest costs. The District had BANs outstanding at June 30, 2019 in the amount of \$19,000,000.

#### V. OTHER INFORMATION

##### A. Risk Financing

Third party insurance is maintained by the District on vehicles, boilers and machines, and stop loss for major medical benefits. In addition, the District carries a general liability policy with a self-insured retention of \$500,000 and the following limits:

Aggregate Limit	\$ 10,000,000
Each Occurrence	\$ 10,000,000

There has been no significant reduction in coverage from the previous year and there have been no settlements in excess of coverage in any of the prior three fiscal years.

The District provides to its employees hospitalization, medical, dental, and life insurance through various insurance programs. Effective January 1, 2013, the District transitioned from an experience-rated to a self-funded health insurance plan. These programs are administered by the Department of

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Employee Benefits. A current liability of \$4,848,000 has been recorded in the District's general fund for estimated health insurance claims expense incurred but not paid during 2018-19.

Effective fiscal 2014-15, the District's student accident program is no longer self-insured. The District currently maintains a student accident insurance policy with a third-party insurance company.

The District uses the general fund to account for its current risk financing activities. The District has not had any material insurance settlements that were not covered by the District's insurance coverages over the past three years. Immaterial insurance losses that may not be covered by the District's insurance coverage would be covered through the District's operating budget.

The schedule below presents the calculation of the District's estimated claims at June 30, 2019 for its self-insured programs that are due within one year. The estimated claims for workers' compensation represent claims which have occurred and are open, waiting for an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board and the estimated claims for health insurance represent claims incurred during 2018-19 that are expected to be paid within the subsequent fiscal year.

	<b>Workers' Compensation</b>	<b>Health Insurance</b>
Estimated claims July 1, 2017	\$ 5,510,897	\$ 3,570,200
Claims incurred 2017-18	6,166,566	82,929,576
Payments and reductions 2017-18	<u>5,668,525</u>	<u>81,469,776</u>
Estimated claims June 30, 2018	<u>\$ 6,008,938</u>	<u>\$ 5,030,000</u>
Estimated claims July 1, 2018	\$ 6,008,938	\$ 5,030,000
Claims incurred 2018-19	4,862,508	92,104,442
Payments and reductions 2018-19	<u>5,047,574</u>	<u>92,286,442</u>
Estimated claims June 30, 2019	<u>\$ 5,823,872</u>	<u>\$ 4,848,000</u>

A current liability of \$5,823,872 and a non-current liability of \$18,325,517 for estimated future claims for the self-insured workers' compensation program have been recorded on the Statement of Net Position.

The District has been self-insured since 1978 for workers' compensation. This program is managed by a third party administrator. The District does not purchase stop loss insurance for this, so it is at full risk for all claim payments.

As mentioned previously, the District became self-insured for health insurance coverage effective January 1, 2013. The District's health insurance is administered by a third party administrator. The District purchases stop loss insurance to reimburse the District for individual claims in excess of \$500,000.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**B. Pension Obligations**

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS) (the Systems).

**1. Provisions and Administration**

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS), a cost sharing, multiple employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**2. Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, employees who joined on or after January 1, 2010 who contribute 3.0 to 3.5 percent of their salary and employees

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

who joined on or after April 1, 2012 who contribute 3.0 to 6.0 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

**3. Pension Asset, Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined.

	ERS	TRS
Measurement date	03/31/2019	6/30/2018
Net pension asset (liability)	\$ (15,954,426)	\$ 30,782,021
District's portion of the Plan's total net pension liability	0.225176%	1.702297%
Change in proportionate share since prior measurement date	-0.009505	0.085780

For the year ended June 30, 2019, the District recognized pension expenses of \$23,635,565, for TRS and \$11,792,327 for ERS, net of deferrals. At June 30, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	Deferred Outflows of		Deferred Inflows of	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 3,141,760	\$ 23,003,156	\$ 1,070,991	\$ 4,166,769
Changes of assumptions	4,010,291	107,603,360	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	4,094,787	34,170,389
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,222,205	3,582,346	541,739	5,561,003
District's contributions subsequent to the measurement date	2,500,633	30,530,120	-	-
Total	<u>\$ 12,874,889</u>	<u>\$ 164,718,982</u>	<u>\$ 5,707,517</u>	<u>\$ 43,898,161</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Year Ended	ERS	Year Ended	TRS
3/31/2020	\$ 4,352,398	6/30/2020	\$ 30,599,599
3/31/2021	(2,351,005)	6/30/2021	20,693,719
3/31/2022	294,400	6/30/2022	1,954,931
3/31/2023	2,370,946	6/30/2023	20,621,197
3/31/2024	-	6/30/2024	13,892,016
Thereafter	-	Thereafter	2,529,239

#### **4. Actuarial Assumptions**

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

	ERS	TRS
Measurement date	03/31/19	06/30/18
Actuarial valuation date	04/01/18	06/30/17
Interest rate	7.0%	7.25%
Salary scale	4.2%	1.9% - 4.7%
Decrement tables	04/01/10 - 03/31/15	07/01/09 - 06/30/14
	System's experience	System's experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.5%

For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return. Expected future real rates of return are weighted by each of the target asset allocation percentages, and then expected inflation is added. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	ERS	TRS	ERS	TRS
Asset Class:			3/31/2019	6/30/2018
Domestic equities	36.0%	33.0%	4.6%	5.8%
International equities	14.0	16.0	6.4	7.3
Global equities		4.0		6.7
Real estate equities	10.0	11.0	5.6	4.9
Private equities	10.0	8.0	7.5	8.9
Private debt		1.0		1.3
Real estate debt		7.0		0.9
Short term		1.0		6.8
Domestic fixed income securities		16.0		2.8
Global fixed income securities		2.0		3.5
High-yield income securities		1.0		0.3
Absolute return strategies	2.0		3.8	
Opportunistic portfolio	3.0		5.7	
Real assets	3.0		5.3	
Bonds and mortgages	17.0		1.3	
Cash	1.0		(0.3)	
Inflation-indexed bonds	4.0		1.3	
Total	<u>100.0%</u>	<u>100.0%</u>		

## 5. Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (6.0% for ERS and 6.25% for TRS) or one percentage point higher (8.0% for ERS and 8.25% for TRS) than the current rate:

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
Employer's proportionate share of the net pension asset/(liability)	\$ (69,755,296)	\$ (15,954,426)	\$ 29,242,121
<b>TRS</b>	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension asset/(liability)	\$ (211,477,513)	\$ 30,782,021	\$ 233,728,188

#### **7. Pension Plan Fiduciary Net Position**

The components of the current-year collective net pension asset/(liability) of the employers as of the respective measurement dates, were as follows (amounts in thousands):

	<b>ERS</b>	<b>TRS</b>
Measurement date	03/31/19	06/30/18
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	<u>182,718,124</u>	<u>119,915,517</u>
Employers' net pension asset/(liability)	<u><u>\$ (7,085,305)</u></u>	<u><u>\$ 1,808,264</u></u>
Ratio of plan net position to the employers' total pension liability	-96.27%	101.53%

#### **8. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on ERS wages multiplied by the contribution rate, by tier. Accrued employer retirement contributions were \$2,500,633, and employee accrued retirement contributions were \$187,950 as of June 30, 2019. Because the District opted out of the ERS pension amortization program during 2014-15, it will repay prior year amortizations in ten equal, annual installments which began in December of 2015. As of June 30, 2019, the total outstanding balance for ERS amortization repayments was \$3,778,110.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by a contribution rate of 10.62%, as calculated by the TRS as of the actuarially required rate. Employer accrued retirement contributions were \$30,530,120 and employee accrued retirement contributions were \$2,402,469 as of June 30, 2019. Because the District opted out of the TRS pension amortization program during 2016-17, it will repay prior year amortizations in five equal, annual installments which began in the fall of 2017. As of June 30, 2019, the total outstanding balance for TRS amortization repayments was \$7,815,890.

#### **9. Teacher's Retirement Incentive**

On March 15, 2019, the District entered into an agreement with the Rochester Teachers' Association whereby eligible members will receive \$50,000 payable at the rate of \$10,000 annually for five consecutive years beginning no later than January 1, 2020 and ending no later

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

than January 31, 2024. As of June 30, 2019, a liability of \$8,700,000 was accrued on the government-wide financial statements for this purpose.

**C. Postemployment Health Care Benefits**

**1. Plan Description**

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

**2. Funding Policy**

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

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

**3. Employees Covered By Benefit Terms**

As of the May 2018 census, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3,255
Inactive employees entitled to but not yet receiving benefit payments	684
Active employees	<u>5,903</u>
Total	<u><u>9,842</u></u>

The District's total OPEB liability of \$856,702,592 was measured as of July 1, 2017 and was determined by an actuarial valuation as of June 30, 2019

**4. Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Retirees' Share of Benefit-Related Costs	Range of 0% - 15% of health insurance premium cost
Salary Increases	3.0% average, including inflation
Discount Rate	3.50%
Healthcare Cost Trend Rates	8.0% for 2019, with a reduction of 0.5% per year and an ultimate rate of 5.0% in 2025 and years thereafter.

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

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

**5. Changes in the Total OPEB Liability**

Balance at July 1, 2018	\$ 842,931,761
Changes for the year:	
Service Cost	11,711,143
Interest	29,030,620
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(26,970,932)</u>
Net changes	<u>13,770,831</u>
Balance at June 30, 2019	<u><u>\$ 856,702,592</u></u>

**6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease	Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 1,045,491,433	\$ 856,702,592	\$ 718,006,433

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

**7. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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

	<u>Healthcare Cost Trend Rates</u>		
	1% Decrease	8% Decreasing to 5%	1% Increase
	7% Decreasing to 4%	9% Decreasing to 6%	
Total OPEB Liability	\$ 698,799,731	\$ 856,702,592	\$ 1,070,243,691

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$40,741,763. At June 30, 2019, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEB, as there were no changes in actuarial assumptions.

**9. Medical Reimbursement Account**

The District's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Subsidies for future years cannot be recognized as a reduction to the actuarial accrued liability.

Effective January 1, 2002, the District established a Medical Reimbursement Account (MRA) for qualified retirees per the collective bargaining agreement between the District and Association of Supervisors and Administrators of Rochester for an attendance incentive. During fiscal year 2018-19, MRA claims totaling \$22,241 were paid by the District and at June 30, 2019, there were thirty-three active participants.

**D. The Rochester Joint Schools Construction Board**

The City of Rochester, New York (the "City") and the City School District of Rochester New York (the "District") entered into a cooperative agreement in January 2010 to create the Rochester Joint Schools Construction Board (the "RJSCB"). The RJSCB oversees the Facilities Modernization Program (FMP). The FMP will be executed in three phases. Phase I is near completion, with the exception of Monroe High School which crossed over into Phase II. Phase I is expected to total \$325.0 million in school renovation expenditures in up to thirteen bonded projects. Authorizing legislation for Phase II was approved in December 2014 for a total cost not to exceed \$435.0 million in four sub-phases (Phase IIA to Phase IID) for the renovation of thirteen school buildings and one district-wide technology project. Construction began in June 2017. By September 2019, six projects were substantially completed and those schools were re-opened. Anticipated final completion of all Phase II projects is in the year 2022. Legislation authorizing Phase III was introduced but not enacted in the 2019 legislative session. The bill will be re-introduced in January/February 2020. It would authorize up to 15 building projects plus a district-wide technology project at a cost of \$615.0 million.

Financing of RJSCB Phase II

To date, \$321.0 million in bonds have been issued for a total proceeds amount including premium of \$379.5 million. It is anticipated that a final borrowing will be issued in January/February 2020 to cover the final Phase II costs with proceeds of about \$55.0 million.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**E. Contingent Liabilities**

The District is typically a respondent/defendant in various claims and lawsuits arising from alleged personal injuries, property damages, civil rights violations, employment/labor matters, and construction contract disputes. The number of such claims and lawsuits, from the Notice of Claim stage through the end of the appellate process, varies as new claims are served and other matters concluded by motion, judgment, settlement or expiration of the statute of limitations throughout the year. The final outcomes of these claims and lawsuits in a given year cannot be predicted with any degree of accuracy. A liability is reported in the financial statements in the amount of \$1,450,000 relative to sixteen separate cases that were pending as of June 30, 2019.

In the normal course of building renovation, a site containing asbestos or lead paint may be disturbed. The District maintains contracts with professional asbestos abatement and remediation specialists to handle these occurrences. As of the fiscal year ended June 30, 2019, the District has reserved and encumbered approximately \$41,725 in asbestos abatement and air monitoring related contracts for active renovation projects. The District has evaluated and determined that there are no other specific pollution related obligations as of June 30, 2019. As a precaution, as of June 30, 2019 the District has set aside an additional \$27,538 in funds which could be used for other pollution remediation obligations should the need arise. The District has also recorded a total of \$18,242,601 in construction commitments for projects not yet completed.

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**F. Related Party Transactions**

The District receives certain services from vendors in which a board member(s) is a vested employee. These services amounted to approximately \$2.7 million for the year ended June 30, 2019 and included the Baden Street Settlement, Nazareth College, and the University of Rochester. At June 30, 2019, the District had approximately \$0.3 million in outstanding accounts payable with Board affiliated organizations.

**G. Calculation of Net Investment in Capital Assets**

Capital assets		\$ 1,247,946,799
Add: Deferred charges on refunding bonds	\$ 1,098,952	
Less: Depreciation	(417,186,047)	
Related outstanding debt	<u>(636,591,608)</u>	
Net investment in capital assets		<u>(1,052,678,703)</u>
		<u>\$ 195,268,096</u>

The related outstanding debt comprises the following:

Bonds payable	\$ 642,352,706
BANs payable	19,000,000
Unamortized premiums	<u>86,007,734</u>
	747,360,440
Less: Unspent proceeds	<u>(110,768,832)</u>
	<u>\$ 636,591,608</u>

***THIS PAGE INTENTIONALLY LEFT BLANK***

---

---

**REQUIRED SUPPLEMENTARY INFORMATION**

---

---

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**NEW YORK STATE EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM PENSION PLANS**  
**LAST TEN FISCAL YEARS**

---

**ERS**

Fiscal Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency	District's Covered Payroll	Contributions as a Percentage of Employee Payroll
2009-10	\$ 8,308,166	\$ 8,308,166	\$ -	\$ 51,461,674	16.1%
2010-11	9,453,663	9,453,663	-	54,235,208	17.4
2011-12	13,183,427	13,183,427	-	57,271,384	23.0
2012-13	13,461,358	13,461,358	-	59,614,805	22.6
2013-14	13,111,553	9,230,734	3,880,819	63,887,220	14.4
2014-15	12,000,409	10,215,980	1,784,429	67,349,479	15.2
2015-16	11,038,633	11,038,633	-	71,202,250	15.5
2016-17	10,509,790	10,509,790	-	71,275,520	14.7
2017-18	10,164,926	10,164,926	-	74,549,710	13.6
2018-19	10,440,218	10,440,218	-	78,218,777	13.3

**TRS**

Fiscal Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Employee Payroll
2009-10	\$ 16,169,411	\$ 16,169,411	\$ -	\$ 210,781,157	7.7%
2010-11	21,183,244	21,183,244	-	216,993,530	9.8
2011-12	26,298,048	26,298,048	-	215,964,182	12.2
2012-13	27,910,410	27,910,410	-	220,616,307	12.7
2013-14	41,505,107	36,090,287	5,414,820	248,109,334	14.5
2014-15	43,807,308	35,310,739	8,496,569	253,838,859	13.9
2015-16	33,798,963	36,016,542	(2,217,579)	259,214,370	13.9
2016-17	30,022,528	30,022,528	-	258,258,210	11.6
2017-18	27,173,940	27,173,940	-	278,944,724	9.7
2018-19	30,530,120	30,530,120	-	289,068,585	10.6

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF RETIREMENT SYSTEM PENSION PLANS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**ERS**

	2014-15	2015-16	2016-17	2017-18	2018-19
--	---------	---------	---------	---------	---------

District's proportion of the net pension asset (liability)	0.237995%	0.233961%	0.227483%	0.2346815%	0.2251763%
District's proportionate share of the net pension asset (liability)	\$ (8,040,052)	\$ (37,551,307)	\$ (21,374,772)	\$ (7,574,216)	\$ (15,954,426)
District's covered payroll	\$ 67,496,597	\$ 68,559,466	\$ 73,490,258	\$ 73,552,764	\$ 77,313,327
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	11.9%	52.7%	-29.1%	-10.3%	-20.6%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.9%	90.7%	94.7%	98.2%	96.3%

**TRS**

	2014-15	2015-16	2016-17	2017-18	2018-19
--	---------	---------	---------	---------	---------

District's proportion of the net pension asset (liability)	1.729107%	1.663625%	1.651834%	1.616517%	1.702297%
District's proportionate share of the net pension asset (liability)	\$ 192,611,736	\$ 172,797,638	\$ (17,691,830)	\$ 12,287,138	\$ (30,782,021)
District's covered payroll	\$ 248,109,334	\$ 253,838,859	\$ 259,214,370	\$ 258,258,210	\$ 278,944,724
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	77.6%	68.1%	-6.8%	4.8%	-11.0%
Plan fiduciary net position as a percentage of the total pension asset	111.5%	110.5%	99.0%	100.7%	101.5%

Note: This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB RELATED LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

	<b>2017-18</b>	<b>2018-19</b>
Measurement date	06/30/18	06/30/19
Service cost	\$ 11,370,042	\$ 11,711,143
Interest	28,584,477	29,030,620
Changes in benefit terms	-	-
Differences between expected and actual experience in the measurement of the total OPEB liability	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	<u>(27,444,204)</u>	<u>(26,970,932)</u>
Net change in total OPEB liability	12,510,315	13,770,831
Total OPEB liability - beginning	<u>830,421,446</u>	<u>842,931,761</u>
Total OPEB liability - ending	<u>\$ 842,931,761</u>	<u>\$ 856,702,592</u>
Covered payroll	\$ 328,621,551	\$ 322,848,701
Total OPEB liability as a percentage of covered payroll	256.51%	265.36%

Note: This schedule is intended to show information for 10 years; additional years' information will be displayed as it becomes available.

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>General Fund</b>					
	<b>Budgeted Amounts</b>			<b>Variance With Final Budget</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		
<b>REVENUES</b>					
Local Sources:					
Use of Money and Property	\$ 350,000	\$ 437,700	\$ 437,700	\$ -	-
Intergovernmental	119,100,000	119,100,000	119,100,000		-
Other	8,732,480	13,456,067	13,456,067		-
State Sources	622,465,596	618,408,416	618,408,416		-
Federal Sources	2,100,000	5,174,789	5,174,789		-
<b>Total Revenues</b>	<b>752,748,076</b>	<b>756,576,972</b>	<b>756,576,972</b>		-
<b>EXPENDITURES</b>					
Current:					
General Support:					
Staff	5,772,161	7,294,941	7,287,273	7,668	
Central Services	43,491,337	42,173,018	42,151,000	22,018	
Other	8,997,799	9,187,678	9,165,912	21,766	
Instructional					
Teaching -- Regular School	218,704,379	203,290,359	231,535,131	(28,244,772)	
Special Apportionment Programs	118,349,474	120,864,494	120,850,492	14,002	
Other	92,333,340	80,012,322	79,757,063	255,259	
Pupil Transportation	74,736,592	76,603,688	76,517,831	85,857	
Community Services	779,821	558,843	567,156	(8,313)	
Employee Benefits					
Retirement	33,399,403	38,018,811	38,001,332	17,479	
Social Security	22,957,752	24,276,356	24,141,822	134,534	
Health Insurance	69,914,029	85,786,171	85,771,729	14,442	
Workers' Compensation	3,824,760	5,074,487	5,074,010	477	
Other	4,535,717	4,299,243	4,194,146	105,097	
Debt Service	4,312,402	1,566,401	1,563,109	3,292	
<b>Total Expenditures</b>	<b>702,108,966</b>	<b>699,006,812</b>	<b>726,578,006</b>	<b>(27,571,194)</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>50,639,110</b>	<b>57,570,160</b>	<b>29,998,966</b>	<b>(27,571,194)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	5,837,153	11,373,263	11,373,263		-
Transfers Out	(76,476,263)	(83,943,423)	(83,943,336)		87
<b>Total Other Financing Sources (Uses)</b>	<b>(70,639,110)</b>	<b>(72,570,160)</b>	<b>(72,570,073)</b>		<b>87</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses Budget Basis</b>	<b>\$ (20,000,000)</b>	<b>\$ (15,000,000)</b>	<b>(42,571,107)</b>	<b>\$ (27,571,107)</b>	
Encumbrances Included in Actual			568,567		
<b>Excess of Revenues and Other Sources Over Expenditures, Encumbrances and Other Uses</b>					
Expenditure of Prior Years' Encumbrances			(42,002,540)		
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>			(447,201)		
<b>Fund Balance -- Beginning of Year</b>					
<b>Fund Balance -- End of Year</b>					

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SPECIAL AID FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

<b>Special Aid Fund</b>				
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>REVENUES</b>				
Local Sources	\$ 6,138,871	\$ 7,429,595	\$ 3,932,025	\$ (3,497,570)
State Sources	62,525,233	59,033,346	61,678,003	2,644,657
Federal Sources	44,196,246	53,980,292	47,654,637	(6,325,655)
<b>Total Revenues</b>	<b>112,860,350</b>	<b>120,443,233</b>	<b>113,264,665</b>	<b>(7,178,568)</b>
<b>EXPENDITURES</b>				
Current:				
General Support				
Central Services	113,287	711,053	658,099	52,954
Other	2,656,786	2,222,087	539,138	1,682,949
Instructional				
Teaching -- Regular School	47,658,788	50,762,387	49,735,873	1,026,514
Special Apportionment Programs	21,506,869	24,740,419	22,086,135	2,654,284
Other	17,537,556	20,576,998	20,575,376	1,622
Pupil Transportation	1,338,079	2,228,424	2,160,941	67,483
Community Services	1,348,596	2,556,533	1,691,582	864,951
Employee Benefits				
Retirement	5,509,929	5,585,701	5,204,464	381,237
Social Security	3,533,677	3,652,641	3,644,535	8,106
Health Insurance	10,456,778	9,377,356	8,998,858	378,498
Workers' Compensation	730,204	836,092	786,766	49,326
Other	469,801	382,473	371,829	10,644
<b>Total Expenditures</b>	<b>112,860,350</b>	<b>123,632,164</b>	<b>116,453,596</b>	<b>7,178,568</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(3,188,931)</b>	<b>(3,188,931)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	3,188,931	3,188,931	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>3,188,931</b>	<b>3,188,931</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures – Budget Basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance – Beginning of Year</b>				-
<b>Fund Balance – End of Year</b>			<b>\$ -</b>	<b>\$ -</b>

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – SCHOOL FOOD SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

<b>School Food Service Fund</b>						
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>		
<b>REVENUES</b>						
Local Sources						
Other	\$ 200,000	\$ 879,454	\$ 879,454	\$ -		
State Sources	600,000	525,013	525,013	-		
Federal Sources	23,700,000	22,484,869	22,484,869	-		
<b>Total Revenues</b>	<b>24,500,000</b>	<b>23,889,336</b>	<b>23,889,336</b>	<b>-</b>		
<b>EXPENDITURES</b>						
General Support						
Other	20,501,160	19,982,737	19,517,704	465,033		
Employee Benefits						
Retirement	1,068,000	1,068,000	1,046,391	21,609		
Social Security	557,400	591,085	591,083	2		
Health Insurance	2,173,440	2,047,514	2,041,964	5,550		
Workers' Compensation	131,000	131,000	126,372	4,628		
Other	69,000	69,000	63,817	5,183		
<b>Total Expenditures</b>	<b>24,500,000</b>	<b>23,889,336</b>	<b>23,387,331</b>	<b>502,005</b>		
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>-</b>	<b>502,005</b>	<b>502,005</b>		
<b>OTHER FINANCING SOURCES</b>						
Transfers In	-	-	-	-		
Transfers Out	-	-	-	-		
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Appropriation of Prior Year Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures -- Budget Basis</b>	<b>\$ -</b>	<b>\$ -</b>	<b>502,005</b>	<b>\$ 502,005</b>		
<b>Fund Balance -- Beginning of Year</b>			1,232,675			
<b>Fund Balance -- End of Year</b>			<b>\$ 1,734,680</b>			

The note to the Required Supplementary Information is an integral part of this schedule.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Factors Affecting Trends In Postemployment Benefits and Pensions**

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 under GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis.

The assumptions and census information are consistent with the prior year's valuation. Because the discount rate remained unchanged, there are no actuarial gains or losses. The assumptions and census information will change with the subsequent year's valuation.

The District's proportionate share of the net pension asset/(liability) of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement systems invest in. In addition, the discount factor has varied from 7.5% to 7.0% over the past five years.

***THIS PAGE INTENTIONALLY LEFT BLANK***

---

---

**SUPPLEMENTAL FINANCIAL STATEMENTS AND SCHEDULES**

---

---

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, AND OTHER USES  
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(continued next page)**

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>Revenues</b>				
Local Sources:				
Use of Money and Property	\$ 350,000	\$ 437,700	\$ 437,700	\$ -
Intergovernmental	119,100,000	119,100,000	119,100,000	-
Charges for Services	2,878,666	2,474,936	2,474,936	-
Miscellaneous	5,853,814	10,981,131	10,981,131	-
State Sources	622,465,596	618,408,416	618,408,416	-
Federal Sources	2,100,000	5,174,789	5,174,789	-
<b>Total Revenues</b>	<b><u>752,748,076</u></b>	<b><u>756,576,972</u></b>	<b><u>756,576,972</u></b>	<b><u>-</u></b>
<b>Other Sources</b>				
Transfers in	5,837,153	11,373,263	11,373,263	-
<b>Total Other Sources</b>	<b><u>5,837,153</u></b>	<b><u>11,373,263</u></b>	<b><u>11,373,263</u></b>	<b><u>-</u></b>
<b>Total Revenues and Other Sources</b>	<b><u>\$ 758,585,229</u></b>	<b><u>\$ 767,950,235</u></b>	<b><u>\$ 767,950,235</u></b>	<b><u>\$ -</u></b>

(continued next page)

<b>Expenditures</b>	<b>Original Budget</b>	<b>Final Budget</b>
General Support:		
Staff	\$ 5,772,161	\$ 7,294,941
Central Services	43,491,337	42,173,018
Board of Education	595,449	936,059
Central Administration	793,115	624,107
Finance	5,253,235	4,790,596
Other	2,356,000	2,836,916
Instructional		
Teaching - Regular School	218,704,379	203,290,359
Programs for Children with Handicapping Condit	118,349,474	115,362,036
Occupational Education	6,910,648	5,502,458
Instruction, Administration and Improvement	45,926,775	46,631,078
Teaching - Special Schools	1,683,661	2,016,915
Instructional Media	5,948,272	5,998,310
Pupil Services	31,863,984	25,366,019
Pupil Transportation	74,736,592	76,594,688
Community Services	779,821	567,843
Employee Benefits:		
Retirement	33,399,403	38,018,811
Social Security	22,957,752	24,276,356
Health Insurance	69,914,029	85,786,171
Workers' Compensation	3,824,760	5,074,487
Other	4,535,717	4,299,243
Debt Service		
Principal	3,936,636	3,936,635
Interest	375,766	375,766
<b>Total Expenditures</b>	<b>702,108,966</b>	<b>701,752,812</b>
Other Uses		
Transfers Out	76,476,263	81,197,423
<b>Total Expenditures and Other Uses</b>	<b>778,585,229</b>	<b>782,950,235</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>\$ (20,000,000)</b>	<b>\$ (15,000,000)</b>

---

<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 7,287,273	\$ -	\$ 7,668
42,139,675	11,325	22,018
935,175	-	884
623,812	105	190
4,782,186	-	8,410
2,824,634	-	12,282
231,318,507	216,626	(28,244,774)
115,359,847	-	2,189
5,490,646	-	11,812
46,537,816	-	93,262
2,016,640	-	275
5,755,887	242,150	273
25,118,108	86,461	161,450
76,517,831	-	76,857
555,255	11,900	688
38,001,332	-	17,479
24,141,821	-	134,535
85,771,729	-	14,442
5,074,009	-	478
4,194,146	-	105,097
3,112,839	-	3,292
1,196,270	-	-
<u>728,755,438</u>	<u>568,567</u>	<u>(27,571,193)</u>
<u>81,197,336</u>	<u>-</u>	<u>87</u>
<u>809,952,774</u>	<u>\$ 568,567</u>	<u>\$ (27,571,106)</u>
<u><u>\$ (42,002,539)</u></u>		

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) – DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

<b>Debt Service Fund</b>				
<b>Budgeted Amounts</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ -	\$ 3,964,700	\$ 3,964,700	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>3,964,700</u>	<u>3,964,700</u>	<u>-</u>
<b>EXPENDITURES</b>				
Debt Service	68,008,405	68,008,405	68,008,405	-
<b>Total Expenditures</b>	<u>68,008,405</u>	<u>68,008,405</u>	<u>68,008,405</u>	<u>-</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(68,008,405)</u>	<u>(64,043,705)</u>	<u>(64,043,705)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sources:				
Transfers In	68,008,405	68,008,405	68,008,405	-
Uses:				
Transfers Out	<u>-</u>	<u>(3,964,700)</u>	<u>(3,964,700)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>68,008,405</u>	<u>64,043,705</u>	<u>64,043,705</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance – Beginning of Year</b>				-
<b>Fund Balance – End of Year</b>				<u>\$ -</u>

**ROCHESTER CITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

Ordinance Number	Project Title	Appropriated & Issued	Expenditures to Date		Unexpended Balance
			Prior Years	Current Year	
17-061	Facility Capital Improvements	\$ 15,625,000	\$ 8,764,820	\$ 6,090,889	\$ 769,291
17-381	Facility Capital Improvements	13,375,000	-	13,375,000	-
	Smart Schools Bond Act	23,648,762	17,727,549	6,341,779	(420,566)
	Accrued Capital Improvements	-	3,563,536	(146,119)	(3,417,417)
	Cash - Capital Improvements	28,970,547	-	11,176,880	17,793,667
	<b>Totals</b>	<b>\$ 81,619,309</b>	<b>\$ 30,055,905</b>	<b>\$ 36,838,429</b>	<b>\$ 14,724,975</b>

***THIS PAGE INTENTIONALLY LEFT BLANK***



# Statistical



## STATISTICAL SECTION

The Statistical Section of the District'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.

- ◆ Financial Trends (Page 92-98) – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.
- ◆ Revenue Capacity (Page 99-102) – These schedules contain information to help the reader assess the District's most significant local revenue sources.
- ◆ Debt Capacity (Page 103-107) – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.
- ◆ Demographic and Economic Information (Page 108-109) – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.
- ◆ Operating Information (Page 110-114) – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

**ROCHESTER CITY SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

---

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Governmental activities					
Net investment in capital assets	\$ 227,098,515	\$ 224,868,075	\$ 226,080,564	\$ 231,321,889	\$ 226,882,367
Restricted for Capital Expenditures	-	-	-	-	47,508,944
Restricted for Debt Service	-	-	-	4,735,764	655,408
Restricted for Revolving Loan Program	-	-	-	-	-
Unrestricted (Deficit)	<u>(78,288,628)</u>	<u>(133,132,558)</u>	<u>(142,832,981)</u>	<u>(175,570,496)</u>	<u>(229,176,646)</u>
Total governmental activities net position	<u>\$ 148,809,887</u>	<u>\$ 91,735,517</u>	<u>\$ 83,247,583</u>	<u>\$ 60,487,157</u>	<u>\$ 45,870,073</u>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Governmental activities					
Net investment in capital assets	\$ 220,389,578	\$ 218,698,255	\$ 223,450,428	\$ 265,896,655	\$ 195,268,096
Restricted for Capital Expenditures	60,270,989	13,069,585	-	-	92,231,024
Restricted for Debt Service	320,406	8,162,364	5,573,029	8,416,554	15,699,855
Restricted for Revolving Loan Program	-	-	100,024	100,000	100,000
Unrestricted (Deficit)	<u>(192,505,073)</u>	<u>(134,530,235)</u>	<u>(150,528,156)</u>	<u>(770,515,499)</u>	<u>(887,024,790)</u>
Total governmental activities net position	<u>\$ 88,475,900</u>	<u>\$ 105,399,969</u>	<u>\$ 78,595,325</u>	<u>\$ (496,102,290)</u>	<u>\$ (583,725,815)</u>

Note: Restrictions not reported for fiscal 2011-12 and prior

2017 Restated for GASB 75 implementation for change in accounting principal

**ROCHESTER CITY SCHOOL DISTRICT**  
**CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

**(continued next page)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Expenses</b>				
General Support:				
Board of Education	\$ 700,462	\$ 845,542	\$ 937,364	\$ 804,532
Chief School Administrator	2,625,789	2,935,381	823,745	1,018,962
Finance	6,060,425	6,446,125	5,624,636	5,957,755
Staff	7,030,907	7,813,587	6,337,641	6,016,143
Central Services	75,301,682	74,794,471	71,636,605	74,430,768
Other	9,593,834	5,533,657	6,461,292	8,665,885
Total General Support	<u>101,313,099</u>	<u>98,368,763</u>	<u>91,821,283</u>	<u>96,894,045</u>
Instruction:				
Administration and Improvement	76,364,476	76,115,320	66,516,877	73,712,391
Teaching	422,444,062	444,285,066	422,176,283	434,230,713
Instructional Media	11,110,860	12,127,840	9,361,416	9,222,737
Pupil Services	32,250,202	32,369,551	36,379,149	36,650,565
Other	-	-	-	-
Total Instruction	<u>542,169,600</u>	<u>564,897,777</u>	<u>534,433,725</u>	<u>553,816,406</u>
Pupil Transportation	55,139,810	60,056,572	59,602,833	65,325,728
Community Services	6,965,346	7,143,070	3,642,674	2,604,672
Interest on Long-Term Debt	7,729,302	8,283,576	7,502,523	12,532,896
Depreciation-Unallocated	-	-	-	-
Total Expenses	<u>713,317,157</u>	<u>738,749,758</u>	<u>697,003,038</u>	<u>731,173,747</u>
<b>Program Revenues</b>				
Charges for Services:				
Central Services	1,032,158	784,618	954,589	771,124
Teaching	1,636,777	1,279,395	1,539,574	1,408,777
Operating Grants and Contributions	101,612,225	107,490,316	103,192,159	101,980,675
Total Program Revenues	<u>104,281,160</u>	<u>109,554,329</u>	<u>105,686,322</u>	<u>104,160,576</u>
<b>Net (Expense)/Revenue</b>	<b>(609,035,997)</b>	<b>(629,195,429)</b>	<b>(591,316,716)</b>	<b>(627,013,171)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Intergovernmental (Unrestricted)	119,100,000	119,100,000	119,100,000	119,100,000
Use of Money & Property	4,768,568	560,906	635,161	283,477
State & Federal Aid	408,172,635	381,842,297	396,973,771	413,568,396
Lottery Aid	56,900,547	63,411,761	59,355,281	63,012,095
Miscellaneous	8,125,304	7,206,095	6,764,569	8,288,777
Total General Revenues and Other Changes in Net Position	<u>597,067,054</u>	<u>572,121,059</u>	<u>582,828,782</u>	<u>604,252,745</u>
<b>Change in Net Position</b>	<b>\$ (11,968,943)</b>	<b>\$ (57,074,370)</b>	<b>\$ (8,487,934)</b>	<b>\$ (22,760,426)</b>

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
\$ 968,455	\$ 811,972	\$ 1,184,391	\$ 826,611	\$ 774,805	\$ 1,267,641
1,183,391	947,164	2,509,063	1,254,537	998,319	917,981
7,449,533	6,165,866	7,418,291	7,166,275	6,916,873	7,239,192
6,959,452	5,948,881	7,755,959	8,664,357	8,850,997	9,925,017
81,900,706	77,142,220	82,909,676	84,582,223	78,707,382	87,854,145
8,255,958	4,951,793	4,814,857	5,578,543	8,450,919	9,106,906
<u>106,717,495</u>	<u>95,967,896</u>	<u>106,592,237</u>	<u>108,072,546</u>	<u>104,699,295</u>	<u>116,310,882</u>
70,286,652	74,179,100	67,388,814	74,173,631	74,114,750	78,990,929
416,521,090	462,945,545	477,002,393	534,213,686	554,886,851	625,792,535
8,688,549	9,922,632	9,349,425	10,075,991	9,907,240	10,110,572
36,102,054	40,050,199	40,769,018	46,122,793	46,822,107	46,309,779
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>531,598,345</u>	<u>587,097,476</u>	<u>594,509,650</u>	<u>664,586,101</u>	<u>685,730,948</u>	<u>761,203,815</u>
68,990,845	70,433,794	77,363,591	80,517,980	80,333,612	86,833,529
3,036,392	3,419,962	3,124,667	2,496,464	2,856,383	2,917,748
17,598,994	17,931,983	18,814,372	18,286,259	22,575,674	31,166,652
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>727,942,071</u>	<u>774,851,111</u>	<u>800,404,517</u>	<u>873,959,350</u>	<u>896,195,912</u>	<u>998,432,626</u>
108,583	135,478	276,366	302,180	365,684	879,454
1,605,929	1,593,999	1,962,993	2,237,536	2,265,157	2,474,936
107,816,885	109,228,469	113,987,817	118,232,454	122,652,688	113,264,664
109,531,397	110,957,946	116,227,176	120,772,170	125,283,529	116,619,054
<u>(618,410,674)</u>	<u>(663,893,165)</u>	<u>(684,177,341)</u>	<u>(753,187,180)</u>	<u>(770,912,383)</u>	<u>(881,813,572)</u>
119,100,000	119,100,000	119,100,000	119,100,000	119,100,000	119,100,000
259,181	682,214	753,878	969,347	1,893,078	7,447,701
454,984,197	462,719,362	497,713,112	527,620,451	571,846,027	586,763,799
66,698,736	69,627,693	68,357,659	70,014,974	70,618,330	68,261,177
6,395,864	10,725,335	15,176,761	8,677,764	6,899,669	12,617,370
<u>647,437,978</u>	<u>662,854,604</u>	<u>701,101,410</u>	<u>726,382,536</u>	<u>770,357,104</u>	<u>794,190,047</u>
<u>\$ 29,027,304</u>	<u>\$ (1,038,561)</u>	<u>\$ 16,924,069</u>	<u>\$ (26,804,644)</u>	<u>\$ (555,279)</u>	<u>\$ (87,623,525)</u>

**ROCHESTER CITY SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

**(continued next page)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Fund				
Nonspendable	\$ 39,546	\$ 4,405,058	\$ 6,589,163	\$ 5,408,822
Restricted	-	-	-	4,735,764
Committed	-	-	32,588,485	32,588,485
Assigned	58,297,595	40,728,264	21,995,142	21,357,946
Unassigned	19,064,883	26,557,687	19,188,648	19,342,801
Total General Fund	<u>\$ 77,402,024</u>	<u>\$ 71,691,009</u>	<u>\$ 80,361,438</u>	<u>\$ 83,433,818</u>
All Other Governmental Funds				
Nonspendable	\$ 458,729	\$ 99,138	\$ 311,363	\$ 328,690
Restricted	-	-	-	-
Committed	1,436,907	871,767	118,409,508	180,847,158
Assigned	-	-	-	-
Unassigned, Reported In:				
Capital Projects Fund	9,502,422	(258,865)	(9,227,636)	-
RJSCB Fund	-	-	-	-
Miscellaneous Special Revenue	-	(2,683,335)	-	-
Total All Other Governmental Funds	<u>\$ 11,398,058</u>	<u>\$ (1,971,295)</u>	<u>\$ 109,493,235</u>	<u>\$ 181,175,848</u>
Total All Governmental Funds	<u><u>\$ 88,800,082</u></u>	<u><u>\$ 69,719,714</u></u>	<u><u>\$ 189,854,673</u></u>	<u><u>\$ 264,609,666</u></u>

---

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
\$ 9,015,204	\$ 9,658,416	\$ 360,810	\$ 1,139,063	\$ 396,992	\$ 403,410
655,408	320,406	8,162,364	5,573,029	8,416,554	15,699,855
32,588,485	26,452,769	27,694,297	26,889,758	7,500,000	-
20,309,554	19,760,663	25,677,162	23,594,548	26,956,931	-
14,571,175	10,406,729	8,935,385	8,621,907	6,365,889	(8,916,640)
<b>\$ 77,139,826</b>	<b>\$ 66,598,983</b>	<b>\$ 70,830,018</b>	<b>\$ 65,818,305</b>	<b>\$ 49,636,366</b>	<b>\$ 7,186,625</b>
\$ 324,307	\$ 424,100	\$ 612,612	\$ 698,236	\$ 614,113	\$ 718,084
47,508,944	60,270,989	13,069,585	100,024	100,000	92,331,024
1,126,667	2,194,903	547,112	829,246	149,453	148,808
-	-	-	150,000	789,084	1,093,235
10,584,466	(5,664,911)	(1,938,251)	(19,204,786)	(30,253,254)	(4,275,024)
-	37,848	-	(27,896,351)	(10,304,861)	-
<b>\$ 59,544,384</b>	<b>\$ 57,262,929</b>	<b>\$ 12,291,058</b>	<b>\$ (45,323,631)</b>	<b>\$ (38,905,465)</b>	<b>\$ 90,016,127</b>
<b>\$ 136,684,210</b>	<b>\$ 123,861,912</b>	<b>\$ 83,121,076</b>	<b>\$ 20,494,674</b>	<b>\$ 10,730,901</b>	<b>\$ 97,202,752</b>

**ROCHESTER CITY SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

**(continued next page)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Revenues</b>				
Local Sources:				
Use of Money and Property (Interest and Rent)	\$ 4,768,568	\$ 560,907	\$ 635,161	\$ 283,477
Intergovernmental	119,100,000	119,100,000	119,100,000	119,100,000
Other	15,986,384	10,777,116	12,165,277	10,880,816
State Sources	455,650,093	445,210,158	465,764,197	485,713,741
Federal Sources	107,728,741	104,692,597	89,528,198	91,398,802
Surplus Food	929,925	932,137	1,018,851	942,062
Sales	576,984	402,473	303,420	94,423
Total Revenues	<u>704,740,695</u>	<u>681,675,388</u>	<u>688,515,104</u>	<u>708,413,321</u>
<b>Expenditures</b>				
General Support:				
Staff	6,762,646	7,179,406	6,260,911	5,906,382
Central Services	49,382,721	47,243,300	46,538,877	48,276,855
Other	27,687,396	24,116,618	23,116,314	26,068,647
Instructional:				
Teaching - Regular School	225,292,202	236,502,568	235,738,366	244,680,729
Special Apportionment Programs	142,065,048	136,643,687	135,977,745	139,182,252
Other	134,904,890	131,741,908	129,632,899	136,515,099
Pupil Transportation	52,287,872	54,614,418	58,064,582	63,362,758
Community Services	6,773,889	6,844,001	3,479,242	2,446,372
Cost of Sales	7,211,720	7,454,503	7,930,286	8,861,406
Debt Service:				
Principal	13,578,018	18,385,022	18,127,741	33,554,888
Interest	6,790,890	8,984,972	7,190,572	13,921,980
Bond Issuance Costs	-	-	-	2,091,497
Capital Outlay	<u>26,791,121</u>	<u>22,679,746</u>	<u>31,277,855</u>	<u>102,472,252</u>
Total Expenditures	<u>699,528,413</u>	<u>702,390,149</u>	<u>703,335,390</u>	<u>827,341,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,212,282	(20,714,761)	(14,820,286)	(118,927,796)
<b>Other Financing Sources (Uses)</b>				
Debt Proceeds	-	-	-	738,164
Refunding Bonds	-	-	-	37,785,000
Premium - Refunding Bonds	-	-	-	3,309,791
Premium - BAN and Bond Issuance	-	-	-	20,780,819
Payment to Escrow Agent	-	-	-	(22,730,000)
Long-term Debt	61,490,498	1,634,393	134,955,245	153,799,015
Transfers In	58,286,742	33,153,924	37,096,372	46,564,991
Transfers Out	(58,286,742)	(33,153,924)	(37,096,372)	(46,564,991)
Total Other Financing Sources (Uses)	<u>61,490,498</u>	<u>1,634,393</u>	<u>134,955,245</u>	<u>193,682,789</u>
Net Change in Fund Balances	<u>\$ 66,702,780</u>	<u>\$ (19,080,368)</u>	<u>\$ 120,134,959</u>	<u>\$ 74,754,993</u>
Debt Service as a Percentage of Noncapital Expenditures	3.03%	4.03%	3.77%	6.55%

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
\$ 259,181	\$ 682,214	\$ 3,001,530	\$ 969,347	\$ 1,893,078	\$ 7,447,701
119,100,000	119,101,443	119,142,222	119,957,026	119,127,776	119,100,000
11,635,498	13,360,146	15,710,271	12,987,995	12,886,954	19,785,919
530,317,736	550,167,576	592,465,795	636,475,355	681,545,444	688,376,654
94,495,300	86,754,441	82,818,077	74,434,777	78,298,546	73,905,397
1,078,482	1,128,449	1,415,119	1,536,902	1,095,171	1,408,898
83,178	83,509	132,022	126,639	126,997	117,866
<b>756,969,375</b>	<b>771,277,778</b>	<b>814,685,036</b>	<b>846,488,041</b>	<b>894,973,966</b>	<b>910,142,435</b>
5,945,247	6,074,754	7,472,227	8,066,322	9,137,095	9,320,672
50,247,733	49,268,550	50,836,398	49,530,175	51,067,583	52,927,205
27,484,179	24,917,805	26,080,581	26,837,116	28,764,006	28,326,791
254,351,913	260,566,367	273,448,551	286,448,066	308,072,512	326,787,670
143,521,920	146,005,189	150,269,672	156,256,759	160,070,812	180,867,460
146,998,875	162,786,514	159,549,959	168,260,414	172,478,037	172,067,316
66,443,629	68,165,552	73,763,974	76,580,595	81,216,295	81,698,163
2,882,036	3,293,117	3,015,541	2,388,263	2,762,393	2,775,157
7,994,917	8,521,647	11,651,513	10,122,887	10,016,753	9,964,024
22,556,679	30,410,967	33,662,091	40,565,877	37,650,976	39,587,735
17,332,137	17,630,531	18,905,423	18,437,402	21,473,074	29,983,779
-	-	-	109,618	2,073,684	2,850,428
<b>139,640,040</b>	<b>59,866,645</b>	<b>66,769,942</b>	<b>69,871,162</b>	<b>170,925,182</b>	<b>161,923,063</b>
<b>885,399,305</b>	<b>837,507,638</b>	<b>875,425,872</b>	<b>913,474,656</b>	<b>1,055,708,402</b>	<b>1,099,079,463</b>
(128,429,930)	(66,229,860)	(60,740,836)	(66,986,615)	(160,734,436)	(188,937,028)
504,474	53,407,562	20,000,000	435,000	123,670,000	242,307,000
-	-	-	17,271,400	-	-
-	-	-	2,049,053	-	-
-	-	-	269,760	24,375,663	33,101,879
-	-	-	(15,665,000)	-	-
54,001,937	59,105,658	59,889,534	63,298,269	75,871,517	95,316,599
(54,001,937)	(59,105,658)	(59,889,534)	(63,298,269)	(72,946,517)	(95,316,599)
<b>504,474</b>	<b>53,407,562</b>	<b>20,000,000</b>	<b>4,360,213</b>	<b>150,970,663</b>	<b>275,408,879</b>
<b>\$ (127,925,456)</b>	<b>12,822,298</b>	<b>40,740,836</b>	<b>62,626,402</b>	<b>\$ (9,763,773)</b>	<b>\$ 86,471,851</b>
5.35%	6.18%	6.50%	6.99%	6.68%	7.42%

**ROCHESTER CITY SCHOOL DISTRICT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE REAL PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(in thousands of dollars)**

---

<b>Fiscal Year</b>	<b>Assessed Value</b>	<b>Real Property - Total Direct Tax Rate per \$1,000</b> <sup>1</sup>		<b>Estimated Actual Value</b>	<b>Assessed Value as a Percentage of Actual Value</b> <sup>2</sup>	<b>Total Direct Rate Applied to Base</b>
		<b>Homestead</b>	<b>Non-Homestead</b>			
2010	\$ 5,777,374	\$19.61	\$41.69	\$ 5,815,723	99.34%	2.85%
2011	5,779,908	19.50	42.23	5,802,907	99.60%	2.86%
2012	5,785,340	20.04	42.79	5,906,907	97.94%	2.91%
2013	5,910,992	19.32	42.98	6,128,302	96.45%	2.85%
2014	5,931,350	19.65	42.04	6,024,586	98.45%	2.84%
2015	5,973,945	20.05	42.86	6,250,507	95.58%	2.90%
2016	5,992,862	20.15	41.92	6,207,003	96.55%	2.88%
2017	6,494,050	19.21	37.76	6,680,286	97.21%	2.69%
2018	6,460,535	18.33	39.45	6,661,032	96.99%	2.70%
2019	6,396,895	18.86	41.15	6,571,027	97.35%	2.79%

Source: City Assessors' Office

<sup>1</sup> The City partitions the assessment roll, and taxes properties based on Homestead and Non-Homestead classification. In accordance with Article 19 of New York State Real Property Tax Law, the tax levy is apportioned between the Homestead and Non-Homestead classes based on the relative taxable value of the two classes.

<sup>2</sup> Special Equalization Ratios established by New York State Office of Real Property Services.

**ROCHESTER CITY SCHOOL DISTRICT  
PROPERTY TAX RATE PER THOUSAND  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

---

Fiscal Year Ended June 30	Class <sup>1</sup>	City of Rochester <sup>2</sup>		Monroe County <sup>3</sup>		Total Direct & Overlapping Rate
		School Purposes	General Municipal Purposes	Total Direct Rate	Overlapping Rate	
2010	Homestead	14.28	5.33	19.61	9.20	28.81
	Non-Homestead	30.48	11.21	41.69	9.20	50.89
2011	Homestead	14.11	5.39	19.50	9.16	28.66
	Non-Homestead	30.69	11.54	42.23	9.16	51.39
2012	Homestead	14.22	5.82	20.04	9.19	29.23
	Non-Homestead	30.49	12.30	42.79	9.19	51.98
2013	Homestead	13.71	5.61	19.32	9.20	28.52
	Non-Homestead	30.62	12.36	42.98	9.20	52.18
2014	Homestead	13.95	5.70	19.65	9.20	28.85
	Non-Homestead	29.95	12.09	42.04	9.20	51.24
2015	Homestead	13.83	6.22	20.05	9.22	29.27
	Non-Homestead	29.69	13.17	42.86	9.22	52.08
2016	Homestead	13.94	6.21	20.15	9.22	29.37
	Non-Homestead	29.03	12.88	41.91	9.22	51.13
2017	Homestead	13.10	6.11	19.21	9.17	28.38
	Non-Homestead	25.78	11.98	37.76	9.17	46.93
2018	Homestead	12.50	5.83	18.33	9.17	27.50
	Non-Homestead	26.93	12.52	39.45	9.17	48.62
2019	Homestead	12.58	6.29	18.87	9.21	28.08
	Non-Homestead	27.43	13.17	40.60	9.21	49.81

<sup>1</sup>"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 dwellings used in part for non-residential purposes but used primarily for residential purposes. All other real property is classified as "non-homestead".

<sup>2</sup>Information provided by the City Assessor.

<sup>3</sup>Information provided by the Monroe County Treasury.

**ROCHESTER CITY SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT FISCAL YEAR AND NINE YEARS PRIOR  
(in thousands of dollars)**

---

	2019			2010		
	Taxable Value	Rank	Percentage of Total Taxable Assessed Value <sup>1</sup>	Taxable Value <sup>2</sup>	Rank	Percentage of Total Taxable Assessed Value <sup>2</sup>
Rochester Gas and Electric	\$ 854,569	1	13.36%	\$ 674,142	1	11.68%
Buckingham Properties	79,700	2	1.25	28,556	4	0.49
Frontier Telephone Corporation	66,285	3	1.04	76,285	2	1.32
Eastman Kodak Company	57,696	4	0.90	75,565	3	1.31
CSX	26,104	5	0.41	17,581	7	0.30
Clinton Asset Holding	25,000	6	0.39	-	-	-
Maguire Family Properties	21,676	7	0.34	18,768	5	0.33
Anthony Dimarzo	15,798	8	0.25	-	-	-
Landsman Development Corporation	11,162	9	0.17	15,442	10	0.27
Harris Corporation	10,535	10	0.16	-	-	-
EJD Company	-	-	-	18,670	6	0.32
Farash, Jalynn Brighton Development	-	-	-	16,556	8	0.29
NK - TCC Property	-	-	-	16,296	9	0.28
Totals	<u>\$ 1,168,525</u>		<u>18.27%</u>	<u>\$ 957,861</u>		<u>16.59%</u>

Source: Assessment Roll of the City of Rochester, City Assessor's Office

<sup>1</sup> The total taxable assessed value of \$6,396,895 was used for fiscal year 2018-19 taxes.

<sup>2</sup> The total taxable assessed value of \$5,772,686 was used for fiscal year 2009-10 taxes.

**ROCHESTER CITY SCHOOL DISTRICT  
CITY OF ROCHESTER PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(in thousands of dollars)**

---

Fiscal Year Ended June 30	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Total Tax Levy for Fiscal Year (1)	Amount	Percentage of Levy	Collections in Subsequent Years	Amount (2)	Percentage of Levy	
2010	\$ 197,219	\$ 182,281	92.43%	\$ 8,966	\$ 191,247	96.97%	
2011	201,211	185,325	92.10	9,371	194,696	96.76	
2012	205,558	189,505	92.19	9,949	199,454	97.03	
2013	206,013	190,291	92.37	11,532	201,823	97.97	
2014	206,188	191,616	92.93	11,190	202,806	98.36	
2015	213,694	198,289	92.79	11,567	209,856	98.20	
2016	213,823	198,982	93.06	10,793	209,775	98.11	
2017	217,466	203,176	93.43	11,286	214,462	98.62	
2018	219,298	205,190	93.57	9,429	214,619	97.87	
2019	224,642	209,139	93.10	N/A	209,139	93.10	

Notes:

- (1) Tax exempt properties with an assessed value of \$734,222,650 made payments in lieu of taxes amounting to \$14,581,073 for the fiscal year ending June 30, 2019. If these properties had been fully taxable, total revenues would have increased by \$14,466,402. 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.

Beginning in fiscal year 1994-95, the District began receiving a revenue allocation in lieu of property taxes from the City of Rochester. The amount of the revenue allocation is based upon what the City and District agree to prior to the applicable fiscal year. Even though the District does not receive property taxes, the City calculates a tax levy for the District.

Source: City of Rochester, Department of Finance.

**ROCHESTER CITY SCHOOL DISTRICT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

---

Fiscal Year	General Obligation Bonds		School Facility Revenue Bonds	Bond Premiums	Special Program & School Purpose Revenue Bonds		Installment Purchase Contracts		Total	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>2</sup>
					\$	4,142,064	\$	16,657,111	\$	187,173,286	
2010	\$ 166,374,111		\$ -	\$ -	\$ 4,142,064	\$ 16,657,111	\$ 187,173,286		0.60%	251	
2011	152,489,769		-	-	2,821,052	15,035,509	170,346,330		0.52	228	
2012	262,655,400		-	-	1,435,796	12,465,626	276,556,822		0.80	370	
2013	171,813,000	227,155,000		33,940,930		-	11,971,682	444,880,612		1.23	593
2014	155,400,000	223,810,000		31,679,985		-	9,556,959	420,446,944		1.22	561
2015	137,920,000	257,970,000		38,181,490		-	6,855,376	440,926,866		1.23	588
2016	139,270,000	245,880,000		37,480,065		-	4,010,017	426,640,082		1.18	571
2017	118,020,401	231,585,000		36,323,910		-	1,157,695	387,087,006		1.07	517
2018	99,036,602	340,230,000		55,970,885		-	366,839	495,604,326		1.30	663
2019	126,212,706	516,140,000		86,007,734		-	-	728,360,440		1.91	974

<sup>1</sup> Personal Income figures from US Dept of Commerce Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov). Prior year data used for current year.

<sup>2</sup> Population figures from US Census Bureau; prior year data used for current year.

**ROCHESTER CITY SCHOOL DISTRICT  
RATIOS OF GENERAL DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

---

<b>Fiscal Year</b>	<b>Total General Obligation Debt</b>	<b>Total General Obligation Debt</b>	<b>Premiums</b>	<b>Less:</b>		<b>Total - Net Bonded Debt</b>	<b>Percentage of Assessed Value of Property</b>	<b>Per Capita<sup>1</sup></b>
	<b>- District</b>	<b>- FMP</b>		<b>Amounts Available for Debt</b>				
2009-10	\$ 166,374,111	\$ -	\$ -	\$ -	\$ 166,374,111	2.88%	224	
2010-11	152,489,769	-	-	-	152,489,769	2.64	205	
2011-12	262,655,400	-	-	-	262,655,400	4.54	351	
2012-13	171,813,000	227,155,000	33,940,930	4,735,764	428,173,166	7.24	571	
2013-14	155,400,000	223,810,000	31,679,985	655,408	410,234,577	6.92	547	
2014-15	137,920,000	257,970,000	38,181,490	320,406	433,751,084	7.26	579	
2015-16	139,270,000	245,880,000	37,480,065	2,247,652	420,382,413	7.02	562	
2016-17	118,020,401	231,585,000	36,323,910	5,573,029	380,356,282	5.86	509	
2017-18	99,036,602	340,230,000	55,970,885	8,416,554	486,820,933	7.54	652	
2018-19	126,212,706	516,140,000	86,007,734	15,699,855	712,660,585	11.14	974	

<sup>1</sup> Population figures from the US Dept of Commerce www.bea.gov; current year and prior year data not available; 2017 data used for 2018 and 2019.

**ROCHESTER CITY SCHOOL DISTRICT  
DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2019**

---

<b>Jurisdiction</b>	<b>Gross Debt Outstanding</b>	<b>Percentage Applicable to City</b>	<b>Amount Applicable to City</b>
<b>Direct Debt:</b>			
Rochester City School District	\$ 728,360,440	100.00%	\$ 728,360,440
Sub Total - Direct Debt	<u>728,360,440</u>		<u>728,360,440</u>
<b>Overlapping Debt:</b>			
City of Rochester	91,038,926	100.00%	91,038,926
County of Monroe	<u>533,380,000</u>	14.73%	<u>78,566,874</u>
Sub Total - Overlapping Debt	<u>624,418,926</u>		<u>169,605,800</u>
<b>Total Direct and Overlapping Debt:</b>	<b><u>\$ 1,352,779,366</u></b>		<b><u>\$ 897,966,240</u></b>

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. Source of data is City of Rochester Finance Department. The overlap percentage (14.73%) was set by the Monroe County Department of Finance and is based on the ratio of the City of Rochester's full valuation of real property to the total Monroe County full valuation of real property.

**ROCHESTER CITY SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

---

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Legal Debt Margin as a Percentage of the Debt Limit</b>
2009-10	\$ 205,972,509	\$ 192,456,711	\$ 13,515,798	2.07%
2010-11	206,453,503	177,809,769	28,643,734	13.87
2011-12	206,455,928	173,717,400	32,738,528	15.86
2012-13	206,975,273	171,813,000	35,162,273	16.99
2013-14	206,974,677	159,400,000	47,574,677	22.99
2014-15	211,103,324	157,920,000	53,183,324	25.19
2015-16	211,601,950	157,270,000	54,331,950	25.68
2016-17	209,627,173	149,586,401	60,040,772	28.64
2017-18	222,170,000	146,794,602	75,375,398	33.93
2018-19	225,082,223	145,212,706	79,869,517	35.48

**Legal Debt Margin Calculation for Fiscal Year 2018-19**

Five-year average full valuation	\$ 6,430,920,648
9% of five-year average full valuation	578,782,858

**Indebtedness**

Borrowings -- RCSD Bonds	\$ 126,212,706
Borrowings -- RCSD BANs	<u>19,000,000</u>
	<u>145,212,706</u>

**Net Indebtedness**

Debt Limit (3.5%/9% of five-year average full valuation) <sup>1</sup>	<u>225,082,223</u>
---	--------------------

Debt Contracting Margin	<u>\$ 79,869,517</u>
-------------------------	----------------------

<sup>1</sup> 3.5% of 9% limitation is pursuant to the City of Rochester Charter which states how the allocation of revenue and debt-incurring power between the City and City School District will be conducted.

**ROCHESTER CITY SCHOOL DISTRICT  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

---

<b>Fiscal Year</b>	<b>Special Program Revenue Bond<sup>1</sup></b>				<b>Special School Purpose Revenue Bond<sup>2</sup></b>			
	<b>Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>	<b>Revenue</b>	<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
2009-10	\$ 1,485,426	\$ 1,485,426	\$ 123,396	0.92	\$ 1,281,413	\$ 1,281,413	\$ 171,062	0.88
2010-11	-	-	-	0.92	1,321,012	1,321,012	130,020	0.91
2011-12	-	-	-	-	1,385,256	1,385,256	71,466	0.95
2012-13	-	-	-	-	1,435,796	1,435,796	39,531	0.97
2013-14	-	-	-	-	-	-	-	-
2014-15	-	-	-	-	-	-	-	-
2015-16	-	-	-	-	-	-	-	-
2016-17	-	-	-	-	-	-	-	-
2017-18	-	-	-	-	-	-	-	-
2018-19	-	-	-	-	-	-	-	-

<sup>1</sup>This bond is backed by the New York State Municipal Bond Bank Agency (MBBA), for the purpose of repaying the State for taxpayer refunds. Data derived from the MBBA.

<sup>2</sup>This bond is backed by the State Education Department, in accordance with state legislation to assist with operating expenses of the District. Data derived from the MBBA.

**ROCHESTER CITY SCHOOL DISTRICT  
DEMOGRAPHIC ECONOMIC STATISTICS – MONROE COUNTY  
LAST TEN FISCAL YEARS**

---

Fiscal Year	Population <sup>1</sup>	Personal Income <sup>1</sup> (000s)	Per Capita Personal Income <sup>1</sup>	Unemployment Rate <sup>2,3</sup>
2009-10	744,344	\$ 31,336,252	\$ 42,099	8.0%
2010-11	745,625	32,728,163	43,894	7.7
2011-12	747,615	34,478,067	46,117	7.9
2012-13	749,606	36,102,780	48,162	7.0
2013-14	749,857	34,438,705	45,927	5.8
2014-15	749,600	35,970,644	47,986	5.1
2015-16	747,727	36,057,927	48,223	4.7
2016-17	747,642	38,050,420	50,894	4.9
2017-18	N/A	N/A	N/A	4.3
2018-19	N/A	N/A	N/A	4.0

<sup>1</sup> Source: US Department of Commerce, Bureau of Economic Analysis

<sup>2</sup> Source: NYS Dept of Labor, [www.labor.state.ny.gov](http://www.labor.state.ny.gov)

<sup>3</sup>Average rate for 2019 based on monthly rates through September

**ROCHESTER CITY SCHOOL DISTRICT**  
**PRINCIPAL TEN EMPLOYERS IN THE ROCHESTER AREA**  
**CURRENT YEAR AND NINE YEARS PRIOR**

---

Employer	2019			2010		
	Total Local Employees <sup>1</sup>	Rank	Percentage of Total Employment <sup>2</sup>	Total Local Employees <sup>1</sup>	Rank	Percentage of Total Employment <sup>2</sup>
University of Rochester/Strong	31,802	1	5.62%	19,596	1	3.41%
Rochester Regional Health System	16,290	2	2.88%	7,136	4	1.24%
Wegmans Food Markets Inc.	13,053	3	2.31%	13,752	2	2.40%
Paychex	4,755	4	0.84%	3,431	8	0.60%
Rochester Institute of Technology	4,177	5	0.74%	3,168	9	0.55%
Harris Corporation	3,500	6	0.62%	2,300	10	0.40%
Lifetime Healthcare Cos. Inc.	3,271	7	0.58%	3,473	7	0.61%
Xerox	3,000	8	0.53%	7,014	5	1.22%
Angels in Your Home	2,216	9	0.39%	-	-	-
YMCA of Greater Rochester	2,147	10	0.38%	-	-	-
Eastman Kodak Company	-	-	-	7,400	3	1.29%
Unity Health System	-	-	-	5,229	6	0.91%

<sup>1</sup> Source Rochester Business Journal

<sup>2</sup> Employment source: [www.labor.state.ny.us](http://www.labor.state.ny.us) employment data as of June 2019

includes Monroe, Genesee, Livingston, Ontario, Orleans, Seneca, Wayne, Wyoming and Yates Counties

**ROCHESTER CITY SCHOOL DISTRICT  
BUDGETED FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

---

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>General Support:</b>					
Board of Education	11	8	8	10	11
Chief School Administrator	14	13	6	5	4
Finance	59	52	49	52	51
Staff	45	36	39	41	42
Central Services	<u>636</u>	<u>568</u>	<u>555</u>	<u>589</u>	<u>605</u>
Total General Support	<u>765</u>	<u>677</u>	<u>657</u>	<u>697</u>	<u>713</u>

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Instruction:</b>					
Administration and Improvement	669	626	586	577	576
Teaching	4,033	3,737	3,483	3,527	3,375
Instructional Media	66	63	61	64	73
Pupil Services	271	238	313	334	318
Pupil Transportation	125	114	106	121	125
Community Services	109	110	38	35	31
Unclassified	15	14	12	10	10
Total Instruction	<u>5,288</u>	<u>4,902</u>	<u>4,599</u>	<u>4,668</u>	<u>4,508</u>
<b>Total</b>	<b><u>6,053</u></b>	<b><u>5,579</u></b>	<b><u>5,256</u></b>	<b><u>5,365</u></b>	<b><u>5,221</u></b>

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>General Support:</b>					
Board of Education	13	12	11	11	11
Chief School Administrator	4	4	6	5	4
Finance	55	62	59	59	58
Staff	47	48	49	49	50
Central Services	<u>707</u>	<u>701</u>	<u>708</u>	<u>708</u>	<u>734</u>
Total General Support	<u>826</u>	<u>827</u>	<u>833</u>	<u>832</u>	<u>857</u>

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Instruction:</b>					
Administration and Improvement	585	598	601	634	626
Teaching	3,615	3,718	3,963	4,185	4,436
Instructional Media	72	83	87	86	80
Pupil Services	351	346	372	412	387
Pupil Transportation	113	133	134	135	135
Community Services	47	22	19	17	17
Unclassified	9	13	13	14	14
Total Instruction	<u>4,792</u>	<u>4,913</u>	<u>5,189</u>	<u>5,483</u>	<u>5,695</u>
<b>Total</b>	<b><u>5,618</u></b>	<b><u>5,740</u></b>	<b><u>6,022</u></b>	<b><u>6,315</u></b>	<b><u>6,552</u></b>

Note: Amended budget numbers used in 2015 and subsequent years.

**ROCHESTER CITY SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS**

---

Fiscal Year	K - 12 Enrollment <sup>1</sup>	Government-Wide Expenses	Cost Per Pupil	Percentage Change from Prior Year	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals <sup>1</sup>
2009-10	31,654	\$ 713,317,157	\$ 22,535	2.1%	4,033	7.8	83.6%
2010-11	31,256	738,749,758	23,635	4.9	3,737	8.4	88.4
2011-12	30,693	697,003,038	22,709	-3.9	3,483	8.8	82.1
2012-13	29,523	731,173,747	24,766	9.1	3,527	8.4	100.0 <sup>2</sup>
2013-14	29,103	771,586,459	26,512	7.1	3,375	8.6	100.0 <sup>2</sup>
2014-15	28,401	774,851,111	27,283	2.9	3,615	7.9	100.0 <sup>2</sup>
2015-16	27,745	800,404,517	28,849	5.7	3,718	7.5	100.0 <sup>2</sup>
2016-17	26,976	873,959,350	32,398	12.3	3,963	6.8	100.0 <sup>2</sup>
2017-18	26,155	896,195,912	34,265	5.8	4,185	6.2	100.0 <sup>2</sup>
2018-19	25,742	998,432,626	38,786	13.2	4,436	5.8	100.0 <sup>2</sup>

<sup>1</sup>Source: RCSD CIP, May 2019

<sup>2</sup>The Federal Community Based Option program was implemented in 2012-13, all students are now eligible for free meals.

**ROCHESTER CITY SCHOOL DISTRICT  
OPERATING STATISTICS-CONTINUING DISCLOSURE COMPLIANCE  
LAST TEN FISCAL YEARS**

---

<b>Fiscal Year</b>	<b>K-12 Enrollment</b>	<b>School Buildings<sup>1</sup></b>	<b>Teaching Staff</b>	<b>Administrative Personnel<sup>2</sup></b>	<b>Instructional Support<sup>3</sup></b>	<b>State Aid Received (Millions)<sup>4</sup></b>
2009-10	31,654	54	4,033	765	1,255	\$456
2010-11	31,256	52	3,737	677	1,165	445
2011-12	30,693	52	3,483	657	1,116	466
2012-13	29,523	52	3,527	697	1,141	486
2013-14	29,103	52	3,375	713	1,133	514
2014-15	28,401	52	3,615	826	1,177	550
2015-16	27,745	50	3,718	827	1,195	592
2016-17	26,976	49	3,963	833	1,226	636
2017-18	26,155	48	4,185	832	1,298	682
2018-19	25,742	48	4,436	857	1,259	688

<sup>1</sup> Includes active schools, swing schools (with temporary enrollment), schools under reconstruction and multi-use buildings, excludes any leased buildings.

<sup>2</sup> Includes Board of Education, chief school administration, finance, central services, and other unclassified administrative staff.

<sup>3</sup> Includes instructional administration, instructional media, pupil services, pupil transportation, and community services staff.

<sup>4</sup> Includes state aid recorded in the general, special aid and school food service funds.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

**(continued next page)**

	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Schools</b>					
<b>Elementary</b>					
Buildings <sup>a</sup>	38	38	38	38	38
Square Feet <sup>b</sup>	3,068,471	2,953,692	2,953,692	3,209,513	3,220,760
Capacity <sup>c</sup>	21,324	21,324	21,324	20,733	20,883
Enrollment K-8	17,228	17,152	16,949	16,679	16,672
Enrollment PreK <sup>d</sup>	-	-	950	944	935
<b>Secondary</b>					
Buildings <sup>a</sup>	16	14	14	14	14
Square Feet <sup>b</sup>	3,704,416	2,475,222	3,475,222	3,433,212	3,439,476
Capacity <sup>c</sup>	15,775	15,775	15,775	14,888	14,888
Enrollment 9-12	14,426	14,104	13,744	12,844	12,431
<b>Other</b>					
Buildings <sup>e</sup>	3	2	2	2	1
Square Feet	176,319	204,232	200,560	200,560	129,389
<b>Administrative</b>					
Buildings <sup>f</sup>	2	4	4	3	3
Square Feet	241,755	401,750	401,750	261,598	261,598
<b>Transportation</b>					
Garages/Maintenance (sq. ft.) <sup>g</sup>	256,077	-	-	-	-
Buses	88	88	86	86	90
<b>Athletics</b>					
Football Fields	7	7	7	7	7
Soccer Fields	9	9	9	9	9
Running Tracks	8	8	8	8	8
Baseball/Softball	22	22	22	22	22
Swimming Pools	13	13	13	13	13
Playgrounds <sup>h</sup>	36	36	36	36	36

Source: RCSD Facilities Department Records

Note: All footnotes apply to the data provided for 2018

<sup>a</sup> The District facility portfolio includes buildings with differing grade configurations (PreK-6, PreK-8, K-12, 6-12, 7-12 or 9-12). Buildings containing both elementary and secondary students are classified in either elementary or secondary based on primary purpose. Includes leased facilities in addition to District-owned.

<sup>b</sup> Square feet includes main building, transportables and any additional community use space that is District managed.

<sup>c</sup> Capacity indicates the maximum number of students that a school can accommodate given current educational programming.

<sup>d</sup> PreK enrollment includes only students educated in District facilities and does not include students in Community Based Organizations.

<sup>e</sup> Facility is 30 Hart Street and is used for multiple purposes.

<sup>f</sup> Facilities are Central Office, Service Center, Nassau Street warehouse and 283 West Ridge Road. Includes leased spaces.

<sup>g</sup> Garage/Maintenance included as part of Service Center.

<sup>h</sup> 2019 includes addition of playgrounds at Marshall, Wilson Foundation, Franklin and Martin Street.

---

<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
38	37	36	36	36
3,220,760	3,098,432	2,889,690	2,889,690	2,970,244
21,215	20,249	19,851	21,082	21,386
16,328	15,867	17,950	18,473	18,052
974	945	1,211	1,373	1,187
14	14	14	15	15
3,439,576	3,439,576	3,439,576	3,461,704	3,480,012
16,660	16,660	16,660	14,377	14,492
12,073	11,878	9,977	7,682	7,690
1	1	1	1	1
129,389	129,389	129,389	186,917	206,045
3	3	3	4	4
261,598	261,598	261,598	285,598	285,598
-	-	-	-	-
90	91	91	91	92
7	7	7	7	7
9	9	9	9	9
8	8	8	8	8
22	22	22	22	22
13	12	12	12	12
36	36	36	36	40

***THIS PAGE INTENTIONALLY LEFT BLANK***



# Single Audit Report





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of the  
Rochester City School District  
Rochester, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rochester City School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

## **Rochester City School District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Rochester, New York  
December 3, 2019



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

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of the  
Rochester City School District  
Rochester, New York

**Report on Compliance for Each Major Federal Program**

We have audited the Rochester City School District's (the District), a component unit of the City of Rochester, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards, and contracts applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control Over Compliance**

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

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

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

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

*Freed Maxick CPAs, P.C.*

Rochester, New York

December 3, 2019

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**(continued on next page)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>				
Direct Programs:				
Impact Aid	84.041B	S041B20193427	\$ -	\$ 456
Impact Aid	84.041B	S041B20183427	<u>-</u>	<u>(166)</u>
<i>Subtotal U.S. Department of Education Direct Programs</i>			<u>-</u>	<u>290</u>
Pass-Through the New York State Education Department:				
Grants to Local Educational Agencies, Title I Part A	84.010A	0021191395	-	20,260,705
Grants to Local Educational Agencies, Title I Parts A & D	84.010A	0021181395	-	2,660,768
Grants to Local Educational Agencies, Title I Part D	84.010A	0016191395	-	458,504
Grants to Local Educational Agencies, Title I School Improvement SES 1003(A)	84.010A	0011187021	-	58
Grants to Local Educational Agencies, Title I School Improvement SES 1003(A)	84.010A	0011187020	-	46
Grants to Local Educational Agencies, Title I School Improvement 1003(A)	84.010A	0011192004	-	12,630
Grants to Local Educational Agencies, Title I School Improvement 1003(A)	84.010A	0011182004	-	1,261,203
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011187130	-	52,871
Grants to Local Educational Agencies Title I, School Improvement	84.010A	0011197130	-	13,350
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195022	-	390,384
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0123187597	-	(148)
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195027	-	421,618
Grants to Local Educational Agencies, Title I School Improvement	84.010A	0011195026	-	436,358
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187606	-	(293)
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123184106	-	20,654
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197608	-	412,516
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185112	-	51,955
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197018	-	247,648
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123197019	-	250,000
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185113	-	46,746
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187616	-	965

**ROCHESTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**  
**(continued on next page)**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Federal Expenditures</u>
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185114	-	248,503
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0011195021	-	231,347
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123187017	-	(11,155)
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185111	-	21,312
Grants to Local Educational Agencies, Title I School Improvement	84.377A	0123185118	-	82,515
Supporting Effective Instruction State Grants Title IIA - Teacher & Principal	84.367A	0147191395	-	2,672,530
Supporting Effective Instruction State Grants, Title IIA - Teacher & Principal	84.367A	0147181395	-	374,821
Supporting Effective Instruction State Grants, Model P-20 Parternerships/Principal Prep	84.367A	0145191004	-	324,975
English Language Acquisition State Grants, Title III - Bilingual Education	84.365A	0293191395	-	360,601
English Language Acquisition State Grants, Title III - Bilingual Education	84.365A	0293181395	-	137,642
English Language Acquisition State Grants, Title III - Immigrant Education	84.365A	0149191395	-	24,255
English Language Acquisition State Grants, Title IIIA - Displaced ELL'S	84.365A	0154181395	-	442,597
Career & Technical Education - Basic Grants to States, Perkins Secondary	84.048A	8000190024	-	303,195
Career & Technical Education - Basic Grants to States, Perkins Secondary	84.048A	8000180024	-	(3,045)
Career & Technical Education - Basic Grants to States, Perkins Adult	84.048A	8000199020	-	74,109
Career & Technical Education - Basic Grants to States, Perkins Adult	84.048A	8000189020	-	(5,049)
Career & Technical Education - Basic Grants to States, Pathways to Technology	84.048A	8039190012	-	302,199
Adult Education - Basic Grants to States WIOA, Title 2, ESOL/Civics	84.002A	0040193011	-	137,597
Adult Education - Basic Grants to States WIOA, Title 2, Correctional Education	84.002A	0138192050	-	131,668
Adult Education - Basic Grants to States WIOA, Title 2, Correctional Education	84.002A	0138192020	-	(7,018)
Adult Education - Basic Grants to States WIOA, Title 2, Adult	84.002A	2338193177	-	224,539
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone	84.002A	2338183032	-	(6,754)
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - East	84.002A	2338193192	-	42,593
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - North	84.002A	2338193202	-	114,229
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - South	84.002A	2338193203	-	95,520
Adult Education - Basic Grants to States WIOA, Title 2, Literacy Zone - West	84.002A	2338193204	-	94,546
Education for Homeless Children & Youth, McKinney-Vento Homeless	84.196A	0212193023	-	109,445

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b><u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-Through Entity Identifying Number</u></b>	<b><u>Pass-Through to Subrecipients</u></b>	<b><u>Federal Expenditures</u></b>
21st Century Community Learning Centers	84.287C	0187197114	-	1,163,161
21st Century Community Learning Centers	84.287C	0187187114	-	(84)
Title IIB - Math/Science Partnerships	84.366B	0294190323	-	176,253
Performance Partnership Pilots for Disconnected Youth	84.420A	0144180007	-	89,757
Student Support and Academic Enrichment Program, Title IV Student Support/Academic Enrichment	84.424A	0196191706	-	931,485
Student Support and Academic Enrichment Program, Title IV SSAE Allocation	84.424A	0204191395	-	726,417
<i><u>Special Education Cluster:</u></i>				
Special Education Grants to States, IDEA Support Serv & Sec 611	84.027A	0032190370	-	10,039,043
Special Education Grants to States, SETRC	84.027A	C01221219	-	435,768
Special Education Grants to States, SETRC	84.027A	C01221218	-	(173)
Special Education Preschool Grants, IDEA Support Serv & Sec 619	84.173A	0033190370	-	490,648
<i><u>Subtotal Special Education Cluster</u></i>				
<i><u>Subtotal Pass-Through New York State Education Department</u></i>				
<b><i>TOTAL U.S. Department of Education</i></b>			<u>-</u>	<u>47,568,819</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Pass-Through the NYS Office of Temporary & Disability Assistance:				
Refugee and Entrant Assistance Discretionary Grants, Making a Connection (MAC)	93.576	C021724-20	-	8,831
Refugee and Entrant Assistance Discretionary Grants, Making a Connection (MAC)	93.576	C021724-19	-	76,987
<b><i>TOTAL U.S. Department of Health and Human Services</i></b>				
<b><u>U.S. Department of Agriculture</u></b>				
<i><u>Child Nutrition Cluster:</u></i>				
Pass-Through NYS Bureau of School Food Management:				
School Breakfast Program	10.553	261600010000	-	6,515,152
National School Lunch Program - Lunch/Surplus Food Commodities	10.555	261600010000	-	14,308,716
Pass-Through City of Rochester:				
Summer Food Service Program for Children	10.559	261600010000	-	684,143
<i><u>Subtotal Child Nutrition Cluster</u></i>				
Pass-Through the NYS Education Department:				
Fresh Fruit and Vegetable Program	10.582	0004180016	-	976,858
<b><i>Total U.S. Department of Agriculture</i></b>				
<b><i>Total Expenditures of Federal Awards</i></b>				
			\$ <u>-</u>	<u>\$ 70,139,506</u>

See notes to Schedule of Expenditures of Federal Awards

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the federal grant activity of all federal financial assistance programs administered by the District. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The District's reporting entity is defined in Note I.A. in the Financial Statements of the District.

**2. Summary of Significant Accounting Policies**

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 District's financial reporting system, which is the source of the District's basic financial statements. Negative expenditures are the result of program closeouts.

**3. Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

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

Unmodified

Internal control over financial reporting:

- |   |                          |     |                                     |               |
|---|--------------------------|-----|-------------------------------------|---------------|
| • Material weakness(es) identified?       | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No            |
| • Significant deficiency(ies) identified? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None Reported |

Noncompliance material to financial statements noted?

Yes       No

***Federal Awards***

Internal control over major federal programs:

- |   |                          |     |                                     |               |
|---|--------------------------|-----|-------------------------------------|---------------|
| • Material weakness(es) identified?       | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No            |
| • Significant deficiency(ies) identified? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | None Reported |

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

Unmodified

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

Yes       No

Identification of major federal programs:

**CFDA Number(s)**

84.010

84.424

**Name of Federal Programs or Clusters**

Title I Grants to Local Educational Agencies

Title IV Student Support and Academic Enrichment

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

\$ 2,104,185

Auditee qualified as low-risk auditee?

Yes       No

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018 (Continued)**

---

**II. FINANCIAL STATEMENT FINDINGS**

**2019-001 NON-COMPLIANCE WITH EDUCATION LAW**

*Criteria:* Per Education Law Section 2576, the District is prohibited from spending funds in excess of the amount appropriated or available.

*Condition:* The District over-spent the amount authorized in the budget as approved by the Board of Education.

*Cause:* This situation was the result of inadequate management oversight of the District's budget and spending.

*Effect:* The District overspent the Board approved budget for the 2018-2019 fiscal year.

*Context:* This was identified by the auditors upon review of the Comprehensive Annual Financial Report.

*Recommendation:* We recommend the District refrain from over-spending the Board approved budget in the future and implement internal control over budget monitoring.

*View of Responsible Officials and Planned Corrective Actions:* We concur the District must refrain from overspending the Board approved budget, and controls will be implemented to improve Board oversight of spending. Monitoring controls are being established to validate budget assumptions and ensure that spending occurs in compliance with the Board approved budget. These controls will provide early detection, communication, and remediation of any unanticipated budgetary shortfalls and ensure proper fiscal management.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2019.

**ROCHESTER CITY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**I. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings noted for the fiscal year ended June 30, 2018.

**II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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



# Student Activity Funds





**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE  
EXTRACLASSROOM ACTIVITY FUNDS**

The President and Members of the  
Board of Education of the  
Rochester City School District  
Rochester, New York

**Report on the Financial Statement**

We have audited the accompanying Statement of Assets and Liabilities arising from cash transactions and Statement of Cash Receipts and Disbursements of the Extraclassroom Activity Funds of Rochester City School District (the District), as of and for the year ended June 30, 2019 and 2018, and the related note to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Boards' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Basis for Qualified Opinion***

Insufficient accounting controls are exercised over cash receipts from the point of collection to the time of submission to the Central Treasurer. Accordingly, it was impractical to extend our audit of receipts beyond the amounts recorded and were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transaction and cash receipts and disbursements of the Extraclassroom Activity Funds of the District for the year ended June 30, 2019 and 2018, arising from cash collected and disbursements made during the years then ended on the basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Freed Maxick CPAs, P.C.*

Rochester, New York

December 3, 2019

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
STUDENT ACTIVITY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019**

---

	<b>June 30, 2018</b>	<b>June 30, 2019</b>
<b>Assets</b>		
Cash:		
Elementary Schools	\$ 31,663	\$ 37,299
Secondary Schools	107,539	112,890
Total Assets	<u>\$ 139,202</u>	<u>\$ 150,189</u>
<b>Liabilities</b>		
Student Deposits:		
Elementary Schools	\$ 31,663	\$ 37,299
Secondary Schools	107,539	112,890
Total Liabilities	<u>\$ 139,202</u>	<u>\$ 150,189</u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019**

---

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
<b>Receipts</b>		
Elementary Schools	\$ 48,582	\$ 39,827
Secondary Schools	<u>294,576</u>	<u>266,493</u>
Total Receipts	<u>343,158</u>	<u>306,320</u>
 <b>Disbursements</b>		
Elementary Schools	44,052	34,192
Secondary Schools	<u>286,234</u>	<u>261,141</u>
Total Disbursements	<u>330,286</u>	<u>295,333</u>
<b>Excess of Receipts over Disbursements</b>	12,872	10,987
<b>Cash -- Beginning of Year</b>	<u>126,330</u>	<u>139,202</u>
 <b>Cash -- End of Year</b>	<u>\$ 139,202</u>	<u>\$ 150,189</u>

See accompanying notes to student activity funds financial statements.

**ROCHESTER CITY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
STUDENT ACTIVITY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**1. Description of Operations**

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by, or in the name of a school, student body or any subdivision thereof.”

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has the responsibility and authority to implement all policies and rules pertaining to the supervision and administration of student activity funds in accordance with established policies and rules of the District’s Board of Education.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The transactions of the Student Activity Funds are not considered part of the reporting entity of the Rochester City School District (the District). Consequently, such transactions are included in the basic financial statements of the District only to the extent that cash and a corresponding liability are recorded in the Agency fund in the District’s Statement of Fiduciary Net Position at June 30, 2019.

The District prepares its Student Activity Funds financial statements on the cash basis of accounting; consequently, receipts and related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred.



*Every student by face and name.  
Every school, every classroom.  
To and through graduation.*

Rochester City School District  
131 West Broad Street  
Rochester, NY 14614  
[www.rcsdk12.org](http://www.rcsdk12.org)



2019

CAFR

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX B

### CERTAIN DEFINITIONS

Act or IDA Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 55 of the 1972 Laws of New York, as amended.

Account shall mean a portion of a Fund, separately accounted for, as created under the Indenture, which may contain subaccounts.

Agency or Issuer shall mean the County of Monroe Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions of the Indenture.

Additional Bonds shall mean one or more series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Additional Facilities shall mean any Facility which is not a Phase IA Facility and which shall after June 20, 2012 become subject to a Series Facilities Agreement other than the Sublease Agreement or shall become subject to the Sublease Agreement by future amendment; provided, however, that to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within a Rochester Schools Act Project owned by or leased to the City and/or the District shall be financed in whole or in part from a Series of Project Bonds, then "Additional Facilities" shall mean only such items so financed and all replacements, repairs or additions thereto.

Additional Payments shall mean all amounts payable by the District under the Sublease Agreement, other than Sublease Payments.

Agency's Reserved Rights shall mean, collectively,

(i) the right of the Agency to exercise in its own behalf its rights under the Sublease Agreement with respect to the payment and/or collection of Additional Payments due to the Agency in its own behalf under the Sublease Agreement;

(ii) the right of the Agency in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Agency under the Sublease Agreement;

(iii) the right of the Agency to grant or withhold any consents or approvals required of the Agency under the Sublease Agreement;

(iv) the right of the Agency to enforce or otherwise exercise in its own behalf all agreements of the District with respect to ensuring that the Facilities shall always constitute a qualified "project" as defined in and as contemplated by the IDA Act and the Rochester Schools Act;

(v) the right of the Agency in its own behalf to enforce, receive Additional Payments payable under or otherwise exercise its rights under certain sections of the Sublease Agreement;

(vi) the right of the Agency to enforce the Environmental Compliance and Indemnification provision of the Ground Lease; and

(vii) the right of the Agency in its own behalf to enforce the Agency's Reserved Rights upon the occurrence of an Event of Default or an Event of Nonappropriation.

Agreement Term shall mean the duration of the Sublease Agreement, as specified therein.

Aggregate shall mean, when used to qualify any other term in the State Aid Trust Agreement, the aggregate, of the relevant term, with respect to all then existing Project Bonds, and then existing Series Facilities Agreements.

Authorized Representative shall mean (i) in the case of the Agency, the Chair, Vice Chair, Chief Operating Officer, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary or Executive Director of the Agency, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, (ii) in the case of the Program Manager, the President, any Vice President, the Treasurer or any Assistant Treasurer of the applicable Program Manager, or any officer or employee of the applicable Program Manager authorized to perform specific acts or to discharge specific duties, (iii) in the case of the District, (A) the Chief Financial Officer of the City, but only for the purposes of (1) directing the Trustee in the application of prepayments as provided in the Sublease Agreement, (2) directing the Trustee with respect to investments and reinvestments by the Trustee of moneys held under the Indenture as provided in the Sublease Agreement, (3) directing the Trustee in the application of moneys from the Redemption Account of the Bond Fund to either the Interest Account or Principal Account of the Bond Fund as provided in the Indenture, (4) directing the Trustee to the purchase of Bonds from amounts in the Redemption Account of the Bond Fund, and the order of crediting of sinking fund payments upon the purchase or redemption of any Bonds subject to sinking fund payments, all as provided in the Indenture, (5) directing the Trustee in the investment of amounts held under the Indenture, requesting the Trustee to deliver statements of net investment gain or loss and of amounts held in the Project Fund and in each Account of the Bond Fund, and directing the Trustee to sell, redeem or exchange for cash any obligations in which moneys shall have been invested, all as provided in the Indenture, (6) directing the Trustee to make deposits to or transfers from the Rebate Fund as provided in the Indenture, (7) directing the Trustee as to the order of maturity of Bonds to be redeemed as provided in the Indenture, (8) directing the Trustee relative to action to be taken under the Tax Certificate as provided in the Indenture, (9) consenting to the execution of a Supplemental Indenture by the Agency and the Trustee upon the circumstances set forth therefor under the Indenture, and (10) designating to the Trustee a Qualified Swap; (B) without limitation as to purpose, the Superintendent of the District, the President of the Board of Education of the District or any other officer or employee of the District authorized to so act, or (C) the Executive Director of the Joint Board or any other officer employee of the Joint Board, for any purpose represented by such Executive Director, officer or employee as being within the scope of responsibilities delegated to the Joint Board by the District; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Sublease Agreement or the Indenture, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Bankruptcy Code shall mean Title 11 of the United States Code, as it is amended from time to time.

Base Facilities Agreement Payment Certificate shall have the meaning ascribed thereto in the State Aid Trust Agreement.

Beneficial Owner shall mean, whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the beneficial owner of such Bond by the respective systems of DTC and each of the Participants of DTC.

Bond Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Bond Registrar shall mean the Trustee acting as registrar as provided in the Indenture.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bonds shall mean the Series 2012 Bonds and any Additional Bonds.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banks in the State of New York, or in the cities in which the corporate trust office of the Trustee is located, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

Calculation Date shall mean any date on which the Sublease Payment Requirement is calculated, commencing June 1, 2013.

Capitalized Interest Balance Requirement for a Series of Bonds shall mean the amount of capitalized interest required to be retained in the respective Interest Account of the Project Fund applicable to the Series of Bonds in accordance with the Indenture.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Bonds in book-entry-only form.

Chief Financial Officer shall mean the Chief Financial Officer of the City or such other officer of the City who may hereafter be designated "chief fiscal officer" of the City as that term is used in the Local Finance Law.

City shall mean the City of Rochester, in the County of Monroe, New York.

Closing Date shall mean the date of the original issuance and delivery of the respective Series of Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder.

Collection Percentage shall mean, with respect to each month of a Collection Period, the ratio, expressed as a percentage, of the amount of State Aid Revenues expected to be received during such month of such Collection Period to the total amount of State Aid Revenues expected to be received during such Collection Period.

Collection Period shall mean the four month period from and including December 1 of a Fiscal Year through and including March 31 of such Fiscal Year.

Collecting Officer shall mean the Superintendent of the District and any other official empowered to demand, collect and receive State Aid Revenues.

County shall mean the County of Monroe, New York.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Agency or the District and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds.

Debt Service Reserve Fund shall mean, with respect to a Series of Project Bonds, the debt service reserve fund established for such Series of Project Bonds under the related Series Indenture, if any.

Defeasance Obligations shall mean only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA", "Aaa" and "AAA" by S&P, Moody's and Fitch, respectively, or (5) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof.

Depository Bank shall mean U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), acting as depository bank pursuant to the State Aid Trust Agreement, and shall include its successors and assigns in such capacity.

District or Rochester City School District shall mean the City School District of the City of Rochester, a school district of the State of New York, acting by and through the Board of Education of the Rochester City School District, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

DTC shall mean The Depository Trust Company, a limited purpose trust company, New York, New York.

Event of Default shall have the meaning specified in the Indenture or Sublease, as may be applicable.

Event of Nonappropriation shall mean failure by the District, as a result of a nonappropriation of funds, to pay or cause to be paid, when due, the Sublease Payments or Additional Payments to be paid hereunder.

Facility or Facilities shall mean, as applicable, property which is the subject of an IDA Project undertaken in furtherance of the Master Plan, owned by, or leased to, the City and/or the District, including the land upon which such IDA Project is to be undertaken and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to the Sublease Agreement), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto, together with all items of machinery, equipment, furniture, furnishings and fixtures located and used therein from time to time; provided, however, that (i) to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within a Rochester Schools Act Project owned by, or leased to, the City and/or the District shall be financed in whole or in part from the proceeds of the Bonds, then "Facility" shall mean only such items so financed and all replacements, repairs or additions thereto, (ii) to the extent that an item of property constituting a fixture located at a school site is financed in whole or in part from the proceeds of the Bonds, and such Rochester Schools Act Project shall not otherwise itself be included within the Facilities subject to the

Ground Lease and to the Sublease Agreement, then such fixture shall be deemed property severable from the remainder of the Rochester Schools Act Project and thereby subject to the leasehold estate of the Ground Lease and to the Sublease Agreement, and (iii) "Facility" shall include any item of machinery, equipment, furniture, furnishings or fixtures to the extent any such item is installed or erected pursuant to the District's program for technological upgrades to Ground Lease Facilities within the District, but in each case only to the extent the costs of all or any portion of the same are financed with the proceeds of the Bonds.

Facilities Payment Obligations shall mean, with respect to any Series Facilities Agreement, the lease payments, sublease payments, installment purchase payments or other like payment obligations as so defined in such Series Facilities Agreement, and in connection with the Sublease Agreement means the Sublease Payments.

Federal Subsidy Payments shall mean direct interest subsidy payments from the US Treasury in amounts equal to the lesser of: (i) 100% of the interest at the tax credit rate in effect at the time of pricing of the Series 2012B Bonds, or (ii) 100% of the amount of interest payable on the Series 2012B Bonds, or as otherwise defined by Section 6431(f)(1)(c) of the Code.

Fiscal Year shall mean the fiscal year of the City and the District, commencing on July 1 and ending on the next succeeding June 30.

Fitch shall mean Fitch Ratings and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency, by notice to the other Notice Parties.

Fund shall mean a special trust fund so designated, separately accounted for, which may contain Accounts.

General Fund shall mean the bank account designated by the Chief Financial Officer in written instructions delivered to the Depository Bank on the date of issuance of the first Series of Project Bonds, as the same may be re-designated.

Ground Lease shall mean the Ground Lease, dated as of June 1, 2012, between the Agency, the City and the District, and shall include any and all amendments thereto and supplements thereto hereafter made in conformity therewith and with the Indenture.

Ground Lease Facilities shall mean the Ground Lease Facilities as defined in the Ground Lease.

IDA Project shall mean any Rochester Schools Act Project which has been determined by the Agency to be a "project" within the definition of and for the purposes of subdivision 4 of Section 854 of the General Municipal Law, by reason of Section 16 of the Rochester Schools Act.

Indenture or Series Indenture shall mean the Indenture of Trust, dated as of June 1, 2012, as from time to time amended or supplemented by Supplemental Indentures in accordance with the Indenture.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Interest Payment Date shall mean, with respect to the Series 2020 Bonds, May 1 and November 1 of each year, commencing November 1, 2020, and with respect to any other Bonds, shall mean the dates established in the related Supplemental Indenture.

Investment Securities shall mean any investments that the City would be permitted to invest in under the provisions of Section 11 of the General Municipal Law of the State, as amended from time to time.

Master Plan shall mean, collectively, the Phase I Master Plan, the Phase II Master Plan, and any comprehensive school facilities plans authorized under the Rochester Schools Act for future project phases.

Moody's shall mean Moody's Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency, by notice to the other Notice Parties.

Nationally Recognized Bond Counsel shall mean Norton Rose Fulbright US LLP or other counsel acceptable to the Agency experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Base Facilities Agreement Payments shall mean, with respect to the Series 2012 Bonds, the Sublease Payments, and with respect to any other Facilities Agreement, the net base payment obligations for principal and interest on the related Project Bonds (net of amounts available in the Bond Fund established under the Series Indenture for such Project Bonds) as so defined in such Series Facilities Agreement.

Notice Parties shall mean the Agency, the City, the District, the Paying Agent and the Trustee.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Sublease Agreement or any other Security Document) be counsel for the District or the Agency.

Outstanding, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or

redemption date shall be specified in irrevocable written instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, together with that documentation required under the Indenture, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture, provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the District shall be disregarded and deemed not to be Outstanding.

Participants shall mean those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean and include:

(i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment;

(ii) the liens of taxes and assessments which are not delinquent;

(iii) the liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby any of the affected Facilities or the interest of the City or the District therein may be in danger of being lost or forfeited;

(iv) minor defects and irregularities in the title to any Facility which do not in the aggregate materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(v) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of a Facility which do not materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(vii) any obligations or duties affecting any portion of a Facility of any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit;

- (viii) present or future valid zoning laws or ordinances;
- (ix) the Sublease Agreement, the Ground Lease and the Indenture;
- (x) the liens of any Series Ground Lease, Series Facilities Agreement or Series Indenture; and
- (xi) any other lien which, in the opinion of counsel to the District delivered and addressed to the Agency and the Trustee, will not have a material adverse effect upon the obligations of the District under the Sublease Agreement.

Person shall mean an individual, partnership, company, corporation, trust, estate or unincorporated organization, and a government or agency or political subdivision thereof.

Phase I Bonds shall mean the Series 2012 Bonds, the Series 2013 Bonds and the Series 2015 Bonds.

Phase I Existing Sites Facilities shall mean Facilities which have been selected for the first phase of the implementation of the Phase I Master Plan, which term includes the Phase IA Facilities and Additional Facilities so selected.

Phase I Facilities shall mean the Phase I Existing Sites Facilities together with additional ancillary real property acquired for purpose of facilitating the modernization of the Phase I Existing Sites Facilities pursuant to the Phase I Master Plan, as more particularly identified in the Ground Lease.

Phase I Master Plan shall mean the comprehensive school facilities plan authorized as phase one under the Rochester Schools Act.

Phase I Program Management Agreement shall mean the Program Management Agreement, dated July 1, 2010, by and among the Gilbane Building Company and the Joint Board as agent and on behalf of the City and the District, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Phase I Projects shall mean the modernization and improvement of the Phase I Facilities in accordance with the Phase I Master Plan, and includes the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing thereof.

Phase IA Facilities shall mean a Facility as further described in the Sublease Agreement.

Phase IA Project shall mean the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of each Phase IA Facility in accordance with the related Plans and Specifications.

Phase IB Facilities shall mean a Facility as further described in the Sublease Agreement.

Phase IB Project shall mean the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishings of each Phase IB Facility in accordance with the related Plan and Specifications.

Phase IC Facilities shall mean a Facility as further described in the Sublease Agreement.

Phase IC Project shall mean the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishings of each Phase IC Facility in accordance with the related Plan and Specifications.

Phase II Bonds shall mean any Bonds issued to finance the Phase II Projects.

Phase II Existing Sites Facilities shall mean Facilities which have been selected for the second phase of implementation of the comprehensive school facilities modernization plan authorized in the Rochester Schools Act, as further described in the Fifth Supplemental Indenture of Trust, dated as of May 1, 2020 by and between the Agency and the Trustee.

Phase II Facilities shall mean the Phase II Existing Sites Facilities together with additional ancillary real property acquired for purpose of facilitating the modernization of the Phase II Existing Sites Facilities, as more particularly identified in the Ground Lease.

Phase II Master Plan shall mean the comprehensive school facilities plan authorized as phase two under the Rochester Schools Act.

Phase II Projects shall mean, collectively, each project (as such term is defined Chapter 533 of the Laws of 2014 of the State, as may be amended from time to time) relating to the modernization and improvement of the Phase II Existing Site Facilities in accordance with the Phase II Master Plan, and includes the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing thereof.

Phase II Program Management Agreement shall mean the Program Management Agreement, dated as of December 15, 2015, by and among the Savin Engineers, P.C. and the Joint Board as agent and on behalf of the City and the District, and shall include any and all amendments thereto and supplements thereto hereafter made in conformity therewith.

Plans and Specifications shall mean, (i) as to the Phase IA Facilities, the plans and specifications for the acquisition, construction, reconstruction, renovation, improvement, equipping and/or furnishing of such Phase IA Facilities, prepared by the Program Manager and approved by the District and approved by the Commissioner on February 10, March 23, March 30, April 11, and May 31, 2012, including site plans, as the same may be amended from time to time, and (ii) as to any particular Facility, the plans and specifications for the acquisition, construction, reconstruction, renovation, improvement, equipping and/or furnishing of such Facility, prepared by the Program Manager and approved by the Joint Board, the District and the Commissioner, including site plans, as the same may be amended from time to time.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Program Management Agreement shall mean (i) with respect to the Phase I Projects, the Phase I Program Management Agreement, (ii) with respect to the Phase II Projects, the Phase II Program Management Agreement, and (iii) with respect to any future phase authorized under the Rochester Schools Act, the program management agreement between by and among the related Program Manager and the Joint Board, as agent and on behalf of the City and the District, and shall include any and all amendments thereto and supplements thereto hereafter made in conformity therewith.

Program Manager shall mean (i) with respect to Phase I Projects, Gilbane Building Company, a corporation organized under the laws of the State of Rhode Island, and its successors and assigns under the Phase I Program Management Agreement, and (ii) with respect to the Phase II Projects, Savin

Engineers, P.C., a professional corporation organized under the laws of the State of New York, and its successors and assigns under the Phase II Program Management Agreement, and (iii) with respect to any future phase authorized under the Rochester Schools Act, the program manager selected by the Joint Board in accordance with the Rochester Schools Act.

Project Bonds shall mean the Bonds and any series of bonds of the Agency or any other public entity issued under a Series Indenture to finance all or a portion of the costs of the Master Plan.

Project Costs shall mean, together with any other proper item of cost not specifically mentioned herein but authorized pursuant to the IDA Act or the Rochester Schools Act, the cost of construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping or furnishing of a Facility and the financing or refinancing thereof, including interest on a Series of Bonds from the date of thereof to completion of construction, renovation or improvement of a Facility, the payment of the fees and expenses of the Trustee and of any provider of a Credit Facility during the construction, renovation or improvement of a Facility, the cost of acquisition of any land or interest (including rights, easements and franchises) therein required as the site of a Facility or for use in connection therewith, the cost of preparation of the site of a Facility and of any land to be used in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance, the cost of reserves, a Credit Facility or a Qualified Swap, all Costs of Issuance, the costs of audits, the cost of all labor, materials, services, supplies and other expenses, the cost of all contract bonds, the cost of all machinery, apparatus, furniture, fixtures and equipment, the cost of engineering, architectural services, design, plans, specifications and surveys, estimates of cost, and all other expenses necessary or incident to determining the feasibility or practicability of a Facility, and such other expenses not specified herein as may be necessary or incident to the construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping and furnishing of a Facility, the financing or refinancing thereof and the placing of the same in use and operation.

Project Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Projects shall mean any projects for which Bonds are issued pursuant to the Indenture.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures which are unconditionally guaranteed as to payment of principal and interest by an agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

(3) Collateralized (but such collateralization, if any, shall only be to the extent required by, and acceptable to, the District as determined by the Chief Financial Officer of the City) certificates of deposit issued by a commercial bank or trust company authorized to do business in the State and time deposit, demand deposit, and money market accounts in a bank or trust company authorized to do business in the State.

(4) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(5) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(6) Money market funds (including those of the Trustee or its affiliates) rated "AAm" or "AAm-G" by S&P, or better.

(7) "State Obligations", which means:

- A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
- B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's.
- C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(8) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

- A. the municipal obligations are (1) not subject to redemption prior to maturity, or (2) the trustee for the municipal obligations has been given irrevocable written instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by a report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");
- D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

- E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and
- F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

- A. The market value of the collateral and the type of the collateral are approved by the Chief Financial Officer of the City;
- B. The Trustee or a third party acting solely as agent therefor or for the Agency (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);
- C. The repurchase agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and
- D. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Trustee (who shall give such direction if so directed in writing by the Chief Financial Officer of the City), within ten (10) days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Agency or the Trustee.

(10) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, construction draws) on the Bonds;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Trustee hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

- C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the Opinion of Counsel (which opinion shall be addressed to the Agency and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Agency and the Trustee;
- E. the investment agreement shall provide that if during its term
  - (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively (but not below "A-" or "A3", respectively), the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Agency, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral (of the type and having a market value as approved by the Chief Financial Officer of the City) free and clear of any third-party liens or claims, provided, however, that the provider can only exercise its option under this clause (a) if the Trustee shall receive a Rating Confirmation with respect thereto; or (b) repay the principal of and accrued but unpaid interest on the investment with no penalty or premium to the Agency or the Trustee, and
  - (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Agency or the Trustee (who shall give such direction, if so directed in writing by the Chief Financial Officer of the City), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Agency or the Trustee, and
- F. the investment agreement shall state and an opinion of counsel to the provider addressed to the Agency and the Trustee shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of the Collateral is in possession); and
- G. the investment agreement must provide that if during its term
  - (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Agency or the Trustee (who shall give such direction, if so directed in writing by the Chief Financial Officer of the City), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider’s obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Agency or the Trustee, as appropriate.

(11) Any other investment, whether similar or dissimilar to any of the foregoing, to the extent that the Trustee (if so directed in writing by the Chief Financial Officer of the City) shall receive a Rating Confirmation with respect thereto.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Agency or the District with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Agency as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Agency or the District for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed or variable interest rate Bonds on a synthetic basis or otherwise, (iii) which has been designated in writing to the Trustee by an Authorized Representative of the District as a Qualified Swap with respect to such Bonds, and (iv) which provides that any termination or like payment thereunder shall be subordinated to the payment of the Bonds.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Ratable Basis shall mean, ratably based on the ratio of the amount, at issue, owing to a Series Trustee to the Aggregate of such amounts, at issue, owing to all Series Trustees.

Rating Agency shall mean S&P, Fitch or Moody’s and such other nationally recognized securities rating agency as shall have awarded a rating to the Bonds at the request of the Agency.

Rating Category shall mean one of the generic rating categories of either Moody’s or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean written evidence from each Rating Agency that no Outstanding Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken as described or referred to therein.

Rebate Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Record Date shall mean, with respect to the Series 2012 Bonds, the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunded Bonds shall mean, with respect to a Series of Refunding Bonds, the Bonds refunded by such Refunding Bonds pursuant to the Indenture.

Refunding Bonds shall mean one or more series of Refunding Bonds issued, executed, authenticated and delivered under the Indenture.

Related Security Documents shall mean all Security Documents other than the Indenture.

Reserve Payment shall mean, with respect to any Facilities Agreement, the reserve payment obligation, if any, in respect of a deficiency in the amount on deposit in the debt service reserve fund, if any, established under a Series Indenture for a Series of Project Bonds.

RJSCB or Joint Board shall mean the Rochester Joint Schools Construction Board created pursuant to the Rochester Schools Act.

Rochester Schools Act shall mean the City of Rochester and the Board of Education of the Rochester City School District School Facilities Modernization Act, comprised of Chapter 416 of the Laws of 2007 of the State, as the same may be amended from time to time.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency, by notice to the other Notice Parties.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Security Documents shall mean, collectively, the Sublease Agreement, the Indenture and the Tax Certificates.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series 2012 Bonds shall mean, collectively, the Agency's Series 2012A Bonds and Series 2012B Bonds.

Series 2012 Project shall mean, collectively, (i) the Phase IA Project, (ii) certain planning and design work for the Phase IB Project and the Phase IC Project necessary or convenient to prepare the Phase I Projects for submission to the Commissioner pursuant to Section 6 of the Rochester Schools Act, and (iii) whenever it is hereafter determined by the Agency, the City and the District that proceeds of the

Series 2012 Bonds will not be needed to complete the Series 2012 Project, as then defined, the definition of Series 2012 Project shall be deemed to include additional Phase I Projects or portions thereof to which the Series 2012 Bond proceeds have been determined by the Agency, the City and the District to be applied pursuant to the Sublease Agreement.

Series 2012A Bonds shall mean the Agency's School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2012A (Tax-Exempt Bonds), authorized, issued, executed, authenticated and delivered under the Indenture.

Series 2012B Bonds shall mean the Agency's School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2012B (Federally Taxable Qualified School Construction Bonds), authorized, issued, executed, authenticated and delivered under the Indenture.

Series Facilities Agreement shall mean the Sublease Agreement and each other facilities sublease agreement, lease agreement, facilities installment sale agreement or other facilities agreement pursuant to which the Agency or some other public entity shall sell, lease or sublease its leasehold interest in facilities to the District and the City, and the District shall be obligated to make sublease payments or installment purchase payments, as applicable, with respect to a Series of Project Bonds, as the same may be amended or supplemented.

State shall mean the State of New York.

State Aid Depository Fund shall mean the fund so entitled which is held by the Depository Bank and is described and provided for in the State Aid Trust Agreement.

State Aid Revenues shall mean the total amount of State aid to education annually appropriated by the New York State Legislature and paid to the District or the City or any officer thereof, for the provision of public educational instruction in the City together with earnings on the investment thereof while in the custody of the Depository Bank.

State Aid Trust Agreement shall mean the State Aid Trust Agreement, dated as of June 1, 2012, among the District, the Depository Bank, the City and the Trustee (and each other Series Trustee), and shall include any and all further amendments thereto and supplements thereto hereafter made in conformity therewith.

Sublease Agreement shall mean the Sublease Agreement, dated as of June 1, 2012, between the Agency, the City and the District, and amended from time to time.

Sublease Payment Date shall mean, in the case of any outstanding Series of Bonds, April 1 of each year (subject, however, to advancement to November 15 of the preceding year under the circumstances described in the Sublease Agreement), commencing April 1, 2014.

Sublease Payment Requirement shall mean, as determined on the Calculation Date, for the Sublease Payment Date following the Calculation Date, the sum of the following:

(i) with respect to the principal payment of the Series 2012A Bonds, (A) the principal scheduled to be paid from the Calculation Date through May 1st of the next calendar year, minus (B) amounts available on the Calculation Date in the Series 2012A Principal Account of the Bond Fund;

(ii) with respect to the interest payment of the Series 2012A Bonds, (A) the interest scheduled to be paid on each Interest Payment Date from the Calculation Date through November 1st of the next

calendar year, minus (B) amounts available in the 2012A Interest Account of the Bond Fund, but exclusive of the Capitalized Interest Balance Requirement for such November 1st of the next calendar year;

(iii) with respect to the sinking fund deposit of the Series 2012B Bonds required pursuant to the Indenture, the Mandatory Sinking Fund Deposit (as defined in the Indenture, calculated as of the June 1 prior to the Calculation Date);

(iv) with respect to the interest payment of the Series 2012B Bonds, (A) the interest scheduled to be paid on each scheduled interest payment date for the Series 2012B Bonds from the Calculation Date through November 1st of the next calendar year, minus (B) amounts available on the Calculation Date in the 2012B Interest Account of the Bond Fund, plus (C) with respect to any Calculation Date prior to the April 1, 2014 Sublease Payment Date, the additional amount, if any, needed to restore any disbursements made from the 2012A Project – QSCB Reserve Account that were applied to pay interest on the Series 2012B Bonds prior to the Calculation Date;

(v) with respect to the principal payment of each Series of Additional Bonds, (A) the respective amount of principal scheduled to be paid from the Calculation Date through May 1st of the next calendar year, minus (B) amounts available on the Calculation Date in the respective Principal Account of the Bond Fund; and

(vi) with respect to the interest payment of each Series of Additional Bonds, (A) the respective amount of interest scheduled to be paid on each Interest Payment Date from the Calculation Date through November 1st of the next calendar year, minus (B) amounts available in the respective Interest Account of the Bond Fund, but exclusive of the applicable Capitalized Interest Balance Requirement for such November 1st of the next calendar year.

Sublease Payments shall mean the sublease payments payable by the District pursuant to the Sublease Agreement, each of which shall be equal to the Sublease Payment Requirement.

Superintendent shall mean the Superintendent of the Rochester City School District.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Agency and the Trustee in accordance with the Indenture.

Tax Certificate shall mean, with respect to a Series of Bonds, the Tax Certificate of the District, the City and the Agency relating to such Series of Bonds.

Tax Exempt Bonds shall mean any Bonds issued with an opinion of Nationally Recognized Bond Counsel stating to the effect that the interest on such Bonds will be excludable from gross income for federal income tax purposes.

Trustee or Series Trustee or Series Trustees (collectively) shall mean U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas), New York, New York, in its capacity as trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

US Treasury shall mean the United States Department of Treasury.

Yield shall have the meaning set forth for such term in the Tax Certificates.

## APPENDIX C

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST**

*The following is a summary of certain provisions of the Indenture of Trust. This summary is qualified in its entirety by reference to the document itself.*

Additional Bonds. So long as the Sublease Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) financing Facilities in connection with the Master Plan, (ii) providing funds to repair, relocate, replace, rebuild or restore one or more affected Facilities in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to one or more Facilities, the purpose of which shall be to constitute a “project” within the meaning of the IDA Act and the Rochester Schools Act, or (iv) refunding Outstanding Bonds. Such Series of Additional Bonds shall be payable from the Sublease Payments under the Sublease Agreement. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the City, the District and the Agency shall enter into a ground lease or an amendment to the Ground Lease, if necessary to subject the Facilities to the leasehold estate thereof, and the Agency and the District shall enter into a sublease or an amendment to the Sublease Agreement to subject the Facility(ies) to the Sublease Agreement and to provide, among other things, that the Sublease Payments payable under the Sublease Agreement shall be increased and computed so as to amortize in full the principal of and interest on the Bonds including such Series of Additional Bonds. In addition, the City, the District and the Agency shall enter into a Tax Certificate relating to the Series of Additional Bonds, as applicable.

Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

- (a) a copy of the resolution, duly certified by the Secretary, Assistant Secretary or Executive Director of the Agency, authorizing, issuing and awarding the Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Ground Lease and the Sublease Agreement;
- (b) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Ground Lease and the Sublease Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Ground Lease and the Sublease Agreement, the Facilities referred to therein and the premises leased pursuant to the Ground Lease and subleased under the Sublease Agreement, shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Bonds now being issued and any Additional Bonds theretofore issued;
- (c) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Additional Bonds and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, and that the issuance of the Additional Bonds will not cause the interest on any Series of Bonds issued as tax-

- exempt obligations to become includable in gross income for federal income tax purposes;
- (d) except in the case of Refunding Bonds (defined below) refunding all Outstanding Bonds, a certificate of an Authorized Representative of the District to the effect that the Ground Lease, the Tax Certificates and the Sublease Agreement continue in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;
  - (e) an original, executed counterpart of the amendment, if any, to the Tax Certificates; and
  - (f) a written order to the Trustee executed by an Authorized Representative of the Agency to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the District, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund ("Refunding Bonds") all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under this section of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

Refunding Bonds may be authenticated and made available for delivery only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the Indenture, as may be applicable) of:

- (a) Irrevocable written instructions from the Agency to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and
- (b) Either:
  - (i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or
  - (ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Indenture, and any moneys required (with respect to all Outstanding Bonds or any part of one or more series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Indenture.

- (c) The District shall furnish to the Trustee and the Agency at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Bonds issued pursuant to this section shall be equally and ratably secured under the Indenture with the Series 2012 Bonds and all other Series of Additional Bonds, if any, issued pursuant to this section, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

Notwithstanding anything herein to the contrary no Series of Additional Bonds shall be issued unless the Ground Lease, the State Aid Trust Agreement, the Tax Certificates and the Sublease Agreement are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default. Each Series of Additional Bonds shall be designated by name and by Series and shall have separate funds and accounts.

Assignment of Federal Subsidy Payments. The Agency hereby assigns its rights, title, and interest in any Federal Subsidy Payments to the Trustee, as collection agent for the Agency and the District, for the benefit of the Owners and future Owners of the Series 2012B Bonds. Immediately upon receipt of each Federal Subsidy Payment from the US Treasury, the Trustee shall deposit such Federal Subsidy Payment in the 2012B Interest Account of the Bond Fund, provided, that, on or after April 1, 2014, if the District has instructed the Trustee in writing to pay such Federal Subsidy Payment to the District, or to the order of the District, the Trustee shall not make such deposit and shall instead act in accordance with such written instructions.

Creation of Funds and Accounts. The Agency hereby establishes and creates the following special trust Funds and Accounts comprising such Funds: (1) *Project Fund*, consisting of: (a) 2012A Project Account, (b) 2012B Project Account, and (c) 2012A Project - QSCB Reserve Account; (2) *Bond Fund*, consisting of: (a) 2012A Principal Account, (b) 2012A Interest Account, (c) 2012A Redemption Account, (d) 2012B Principal Account, (e) 2012B Interest Account, and (f) 2012B Redemption Account; and (3) *Rebate Fund*, consisting of: (a) 2012A Rebate Fund and (b) 2012B Rebate Fund.

All of the Funds and Accounts created hereunder shall be held by the Trustee. Additional Accounts, including Accounts within the Project Fund, may be established upon the issuance of a Series of Additional Bonds. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and be subject to the lien of the Indenture, subject to the provisions of the Granting Clauses of the Indenture.

The amounts deposited in the Funds and Accounts created hereunder (except for the Rebate Fund) shall be subject to a security interest, lien and charge in favor of the Trustee (for the benefit of the Holders of the Bonds) until disbursed as provided herein, subject to the provisions of the Granting Clauses of the Indenture.

Project Fund. There shall be deposited in the appropriate Account of the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or otherwise required to be deposited therein pursuant to the Sublease Agreement or the Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders,

until disbursed as provided herein. The Trustee shall apply the amounts on deposit in each Account of the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the District or the Agency, of Project Costs, provided, however, that amounts in the 2012A Project – QSCB Reserve Account shall not be applied to Project Costs until after November 1, 2013. Until November 1, 2013, amounts in the 2012A Project – QSCB Reserve Account shall be available to pay interest on the Series 2012B Bonds to the extent Sublease Payments are insufficient therefor.

The Trustee shall apply amounts in the 2012B Interest Account for deposit in the 2012A Project – QSCB Reserve Account to reimburse the 2012A Project – QSCB Reserve Account for any amounts which were applied to pay interest on the Series 2012B Bonds on or prior to November 1, 2013.

The Trustee shall disburse from each Account of the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks (or make wire transfers if requested by the District) for each disbursement from each Account of the Project Fund, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the Program Manager and approved by an Authorized Representative of the District. The Trustee shall be entitled to conclusively rely on the correctness and accuracy of such requisition as well as the propriety of the signature thereon. The Trustee shall keep and maintain adequate records pertaining to each Account of the Project Fund and all disbursements therefrom including the date, dollar amount, and requisition number, for which a disbursement is made, and shall furnish copies of same to the Agency or the District upon reasonable written request.

At any time on or prior to November 1, 2013, if moneys held in the 2012B Interest Account are insufficient to pay the interest payment coming due on the Series 2012B Bonds, the Trustee is hereby authorized to transfer moneys from the 2012A Project – QSCB Reserve Account to the 2012B Interest Account. The Trustee shall maintain records regarding any amount transferred from the 2012A Project – QSCB Reserve Account into the 2012B Interest Account.

The Trustee shall on written request furnish to the Agency and the District within a reasonable time period a written statement of disbursements from each Account of the Project Fund, enumerating, among other things, requisition number, amount disbursed, date of disbursement and the person to whom payment was made.

The completion of the Series 2012 Project or abandonment thereof shall be evidenced by the filing of a certificate of an Authorized Representative of the District in accordance with the Sublease Agreement. Upon the filing of such certificate, the balance in the applicable fund of the Project Fund, after making any transfer to the applicable Rebate Fund as directed pursuant to the applicable Tax Certificate and the Indenture, shall be deposited in a segregated sub-account of the Redemption Account of the Bond Fund and applied (together with any investment earnings derived from the amount so deposited) on the first date upon which the Series 2012 Bonds may be called for general optional redemption, to the payment of only the principal portion of the Redemption Price of the Series 2012 Bonds on such redemption date to the extent of the amount so held in such sub-account (to the nearest \$5,000 integral multiple with any excess to be deposited in the Interest Account of the Bond Fund), provided, however, that the amounts so deposited in such segregated sub-account shall not be invested at a Yield (as such term is defined in the Tax Certificate) in excess of the Yield on the Series 2012 Bonds as determined in accordance with the applicable Tax Certificate.

In the event the District shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Sublease Agreement (other than in connection with a refunding in whole of the Bonds), the balance in the applicable Project Fund, after making any transfer to the applicable Rebate

Fund as directed pursuant to the applicable Tax Certificate and the Indenture, shall be deposited in the applicable Bond Fund for redemption of Bonds.

All earnings on amounts held in any Account of the Project Fund, excluding earnings required no less frequently than quarterly to be transferred to the applicable Rebate Fund in compliance with the applicable Tax Certificate and the Indenture, shall be maintained within the respective Account of the Project Fund and made available for Project Costs.

Upon the occurrence and during the continuance of an Event of Default, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture, shall be deposited in the Bond Fund to be applied in accordance with the Indenture.

Payments into Bond Fund. On or before November 10 of each Fiscal Year, commencing November 10, 2013, the Trustee shall deliver a Base Facilities Agreement Payment Certificate (computed as of November 10 of such Fiscal Year) to the Depository Bank in accordance with Section 202(e) of the State Aid Trust Agreement. The Trustee shall promptly deposit the following receipts into the Bond Fund:

- (a) Proceeds of the Series 2012A Bonds shall be deposited in the applicable Account of the Bond Fund pursuant to the Indenture. Upon the issuance of any Series of Additional Bonds, there shall be deposited in the applicable Interest Account of the Bond Fund such amount, if any, of the proceeds of such Series of Additional Bonds as may be set forth in the related Supplemental Indenture.
- (b) Moneys received from the Depository Bank pursuant to Section 202(g)(i) (first) of the State Aid Trust Agreement shall be deposited into the Bond Fund and applied first, to the payment of interest (and deposited in the Interest Account), second, to the payment of principal (and deposited in the Principal Account), and third, to the payment of sinking fund payments (and deposited in the Redemption Account).
- (c) If and when received from the US Treasury, the Trustee shall deposit all Federal Subsidy Payments received into the 2012B Interest Account, unless otherwise directed in writing by the District pursuant to the Indenture on or after April 1, 2014. The Trustee shall apply amounts available in the 2012B Interest Account to the payment of interest on the 2012B Bonds.
- (d) Moneys received from the State Comptroller under the heading "State Aid Intercept" in respect of Sublease Payments and available for the payment of interest on the Bonds, which, subject to the priority for the application of such moneys so received set forth under the heading "State Aid Intercept", shall be placed in the Interest Account of the Bond Fund and applied, together with amounts available in the Interest Account, to the payment of interest on the Bonds.
- (e) Moneys received from the State Comptroller under the heading "State Aid Intercept" in respect of Sublease Payments and available for the payment of principal of the Bonds, which, subject to the priority for the application of such moneys so received set forth under the heading "State Aid Intercept", shall be placed in the Principal Account of the Bond Fund and applied, together with amounts available in the Principal Account, to the payment of principal of the Bonds.

- (f) Moneys received from the State Comptroller under the heading "State Aid Intercept" in respect of Sublease Payments and available for the payment of the Redemption Price of Bonds to be redeemed in whole or in part, which, subject to the priority for the application of such moneys so received set forth under the heading "State Aid Intercept", shall be placed in the Redemption Account of the Bond Fund and applied, together with amounts available in the Redemption Account, to the payment of the Redemption Price of Bonds to be redeemed in whole or in part.
- (g) The excess amounts referred to in the third paragraph under the heading "Payments into Rebate Fund; Application of Rebate", which shall be credited to the Interest Account of the Bond Fund.
- (h) Moneys transferred by the Trustee from the Redemption Account of the Bond Fund which shall be deposited in either the Interest Account or Principal Account of the Bond Fund, as so directed in writing by an Authorized Representative of the District.
- (i) Moneys transferred by the Trustee from the Project Fund to the Redemption Account of the Bond Fund (after making any transfer to the Rebate Fund as directed pursuant to the Tax Certificate and the Indenture) as provided in the Indenture, which amounts shall be held separately by the Trustee in a segregated subaccount, and may be invested, until applied to the redemption of the Bonds in accordance with the Indenture, by the Trustee at the written direction of the District, and otherwise in accordance with the requirements of the Indenture, except the certification by the District shall include an additional certification by the District that the contemplated investment is not at a Yield in excess of the Yield on the related Series of Bonds.
- (j) All other receipts when and if required by the State Aid Trust Agreement, the Sublease Agreement, by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in the Indenture) to the Redemption Account of the Bond Fund and applied as provided in the Indenture.

In the event that any Sublease Payments received by the Trustee, together with amounts on deposit in the applicable Interest Account, shall be an amount insufficient to pay the interest, principal and sinking fund payments next coming due on the Bonds, such amount shall be applied first, to the payment of interest, second, to the payment of principal, and third, to the payment of sinking fund payments.

State Aid Intercept. Pursuant to the Rochester Schools Act, in the event the City or the District shall fail (for any reason, including the failure of the appropriate legislative body of the District to appropriate moneys for such purpose) to make a payment under the Sublease Agreement in the amount and by the date the same is due, of which failure the Trustee has actual knowledge in the case of a failed Sublease Payment (or other failed payment payable to the Trustee in its capacity as Trustee), or, in the case of any other failed payment of which the Trustee has received written notice from the party to whom such failed payment is owed under the Sublease Agreement, the Agency hereby irrevocably appoints the Trustee to act as its agent for the purpose of delivering a certificate to the State Comptroller (in substantially the form set forth in the appendices attached hereto) by no later than the next Business Day following the Trustee obtaining such actual knowledge or such notice of such failed payment, certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall, in accordance with the Rochester Schools Act, withhold from the District such State Aid Revenues as are payable to the District to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the

Trustee on behalf of the Agency, the amount of such State Aid Revenues so withheld. All State Aid Revenues so received shall be applied, *first*, to deposit in the Interest Account of the Bond Fund to the extent of any deficiency therein, *second*, to deposit in the Principal Account of the Bond Fund to the extent of any deficiency therein, *third*, to deposit in the Redemption Account of the Bond Fund to the extent of any deficiency therein, *fourth*, to satisfy any obligation of the District under Section 4.03 (titled “Indemnification”) of the Sublease Agreement, *fifth*, to satisfy any obligation of the District under Section 5.05 (titled “Liability Insurance”) of the Sublease Agreement, and *sixth*, to satisfy any other obligations of the District under the Sublease Agreement.

The appointment by the Agency of the Trustee as agent as above-described shall be deemed a non-exclusive but irrevocable appointment (coupled with an interest) and the Agency may appoint any other Series Trustee to similar purpose under the related Series Indenture. The Trustee hereby accepts such agency and agrees so to act on behalf of the Agency. Notwithstanding anything to the contrary contained herein, any amounts of such State Aid Revenues received by the Trustee from the State Comptroller shall, subject to the priority set forth in the preceding paragraph, be deemed to satisfy the District’s obligation to make such defaulted payment to the extent of the amount received. Any amounts of such State Aid Revenues received by the Trustee from the State Comptroller that are not in respect of Sublease Payments shall forthwith be paid to or upon the written order of the Agency.

The Agency covenants and agrees that it shall enter into no agreement, indenture or other instrument, including any Series Indenture or Series Facilities Agreement, in connection with the issuance of a Series of Project Bonds under a Series Indenture which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid Revenues under the Rochester Schools Act than the pledge effected pursuant to the Indenture; provided, however, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Agency or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid Revenues under the Rochester Schools Act on a parity with the pledge effected under the Indenture, or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as those under the Sublease Agreement.

Application of Bond Fund. The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption of Bonds. In the case of the 2012A Interest Account of the Bond Fund, certain amounts, as described in the Indenture, shall be considered unavailable to pay interest due on the Series 2012A Bonds and retained in the 2012A Interest Account of the Bond Fund (the “Capitalized Interest Balance Requirement”) until the dates set forth in the Indenture.

The Trustee shall on each principal payment date for the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than such as shall be due by mandatory sinking fund redemption), upon the presentation and surrender of the requisite Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Bonds).

If, on or prior to April 1, 2014, (i) amounts on deposit in the 2012A Project-QSCB Reserve Account have been applied to pay interest on the Series 2012B Bonds pursuant to the Indenture, (ii) such amounts have not been restored to the 2012A Project-QSCB Reserve Account, and (iii) moneys held in the 2012B Interest Account are in excess of the amount required to pay the interest payment of the Series 2012B Bonds due on the next Interest Payment Date, then the Trustee shall withdraw all or a portion of

the excess amount and deposit it into the 2012A Project – QSCB Reserve Account, but only if and to the extent necessary to restore amounts previously applied from the 2012A Project – QSCB Reserve Account to pay interest on the Series 2012B Bonds.

There shall be paid from the Redemption Account of the Bond Fund to the Paying Agents on each sinking fund payment date in immediately available funds the amounts required for the sinking fund payment due and payable with respect to Bonds which are to be redeemed from sinking fund payments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such sinking fund payment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which sinking fund payments are applicable in a principal amount equal to the sinking fund payment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Redemption Account of the Fund.

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the District, as promptly as practicable, to the purchase of Bonds of a Series as directed by the District at prices not exceeding the Redemption Price thereof applicable on the earliest date upon such Series of Bonds are next subject to optional redemption, plus in each case accrued interest to the date of redemption (accrued interest on such Bonds being payable out of the Interest Account of the Bond Fund). Any Bonds purchased in lieu of a mandatory redemption shall be surrendered to the Trustee for cancellation. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date; provided that if such amount aggregates less than \$5,000, it need not be then applied to such redemption. Subject to the provisions of the Indenture, any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the Indenture) shall be transferred to the Interest Account. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Bonds being redeemed plus interest on such Bonds accrued to the redemption date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Upon the purchase of any Bonds subject to sinking fund payments as provided in this subsection, or upon the redemption of any Bonds subject to sinking fund payments, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future sinking fund payments in such order as an Authorized Representative of the District shall direct in writing, or, in the absence of any such written direction, in chronological order of the due dates of such sinking fund payments, until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such sinking fund payment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such sinking fund payment for the purposes of any calculation thereof under the Indenture.

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account or the Principal Account of the Bond Fund, as directed in writing by an Authorized Representative of the District.

In the event of the issuance of a Series of Refunding Bonds pursuant to the Indenture, the Trustee shall, upon the written direction of the District, withdraw from the specified Accounts of the Bond Fund those amounts deposited in each such Account so specified held for the payment of the principal, sinking fund payments, Redemption Price and interest on the Series of Bonds or principal portion thereof to be

refunded, provided, however, that such withdrawal shall not be made unless (i) immediately thereafter, the Series of Bonds or principal portion thereof being refunded shall be deemed to have been paid pursuant to the Indenture, and (ii) the amount remaining in each Account of the Bond Fund after such withdrawal shall not be less than that amount otherwise then required to be on deposit in each such Account to pay the principal, sinking fund payments, Redemption Price and interest of those Series of Bonds or principal portions thereof not being refunded.

Investment of Funds and Accounts. Amounts in the Bond Fund, the Project Fund, and the Rebate Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments. Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the District accompanied by a certificate to the effect that the related investment constitutes a Qualified Investment. Any investment hereunder shall be made in accordance with the applicable Tax Certificate, and the District shall so certify to the Trustee with each such investment direction as referred to below. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments shall, in the case of the Project Fund or the Bond Fund, be credited and losses charged to such Fund, as applicable, subject, however, to the Indenture. Upon timely request of an Authorized Representative of the District, the Trustee shall notify the District ten (10) days prior to each Sublease Payment Date under the Sublease Agreement of the amount of such net investment income or gain received and collected subsequent to the last such Sublease Payment and the amount then available in the Project Fund and in each Account of the Bond Fund.

Upon the written direction of an Authorized Representative of the District, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the Indenture. The Trustee shall not be liable for any losses incurred as a result of actions taken in good faith in accordance with this paragraph. As soon as practicable after any such sale, redemption or exchange, the Trustee shall give notice thereof to the Agency and the District.

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee on the last Business Day of each October.

The fair market value of Qualified Investments shall be determined as follows:

- (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and

- (c) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of "fair market value" shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Neither the Trustee nor the Agency shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested. The investments authorized by this section shall at all times be subject to the provisions of applicable law, as amended from time to time.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture (excluding the Rebate Fund) and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and while held by the Trustee constitute part of the Trust Estate, and be subject to the lien of the Indenture, but subject to the Granting Clauses of the Indenture. Moneys held by the Depository Bank under the State Aid Trust Agreement are not part of the Trust Estate unless and until the same are transferred to the Trustee for deposit in the Bond Fund in accordance with the State Aid Trust Agreement. Moneys held by the Trustee in the Rebate Fund are not part of the Trust Estate nor subject to the lien of the Indenture.

Repayment to the District from the Funds. After payment in full of the Bonds (in accordance with the Indenture) and the payment of all fees, charges and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid hereunder and under each of the Security Documents, and the payment of any amounts which the District is required to rebate to the federal government pursuant to the Indenture and the Tax Certificates, all amounts remaining in the Project Fund and the Bond Fund shall be paid to the District at their written request upon the expiration or termination of the term of the Sublease Agreement.

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bondholder or any other Person.

The Trustee, following the receipt of a certificate of written direction from an Authorized Representative of the District pursuant to a Tax Certificate, shall deposit in the Rebate Fund that amount from the Project Fund, to the extent available, as shall be so specified in such certificate of written direction as necessary to satisfy the requirements of such Tax Certificate. In the case of the Project Fund, the District shall so direct the Trustee no less frequently than quarterly.

In the event that the amount on deposit in the Rebate Fund exceeds the Rebate Amount as determined in accordance with the Tax Certificates, the Trustee, upon the receipt of written instructions from an Authorized Representative of the District, shall withdraw such excess amount and deposit it (i) to any Account of the Project Fund or (ii) to the Interest Account of the Bond Fund, as the District shall determine.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the District, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series of the Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to such Series of Bonds as of the date of such payment and (ii)

notwithstanding the provisions of the Indenture, not later than thirty (30) days after the date on which a Series of Bonds has been paid in full, 100% of the Rebate Amount as of the date of payment.

The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the District to make such transfer.

Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of the same Series and maturity for which there is more than one registered Bond, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair, provided that Bonds to be redeemed from sinking fund payments shall be selected by lot. In the event of redemption of less than all the Outstanding Bonds of the same Series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed shall be applied in such order of maturity as shall be directed in writing by an Authorized Representative of the District delivered to the Trustee, or, in the absence of any such direction, inverse order of maturity of the Outstanding Series of Bonds to be redeemed and randomly within a maturity. If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (a) payment to such Holder of the Redemption Price of the unit or units of principal amount called for redemption and (b) delivery to such Holder of a new Bond or Bonds of such Series in the aggregate unpaid principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of the same Series and maturity representing the unredeemed balance of the principal amount of such Bond shall be issued to the registered Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than a unit shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only). Notwithstanding anything herein to the contrary, if the Series 2012B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2012B Bonds, the Issuer will cause notice of redemption to be given only to DTC as registered owner. The selection of the book-entry interests within each Series 2012B Bond maturity to be redeemed will be done in accordance with DTC procedures.

If the Series 2012B Bonds are not registered in book-entry form, the particular maturities of the Series 2012B Bonds to be redeemed at the option of the Agency will be determined by the Agency in whole or in part on a pro rata basis. Any redemption of less than all maturity of the Series 2012B Bonds shall be allocated (in the amounts of \$5,000 or any whole multiple) among the registered owners of such maturity of the Series 2012B Bonds then outstanding as nearly as practicable in proportion to the principal amounts of such maturity of the Series 2012B Bonds owned by each registered owner. This will be calculated based on the following formula:

$$\frac{(\text{principal to be redeemed}) \times (\text{principal amount owned by owner})}{(\text{principal amount outstanding})}$$

No Partial Redemption After Default. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default hereunder, there shall be no redemption of less than all of the Bonds Outstanding.

Payment of Principal and Interest. The Agency covenants that it will from the sources herein contemplated promptly pay or cause to be paid the principal of and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and

meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Agency contained herein shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon or hereunder against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the principal thereof, the interest thereon, nor the Redemption Price thereof, if any, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State, the City or of the County and neither the State, the City nor the County shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor. The Agency shall not be required under the Indenture or the Sublease Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the Sublease Payments pledged to the payment of the Bonds, and (iii) any income or gains therefrom.

Performance of Covenants; Authority. The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings pertaining thereto. The Agency covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the IDA Act, to issue the Bonds authorized hereby and to execute the Indenture, to sublease its leasehold interest in the Ground Lease Facilities under the Ground Lease pursuant to the Sublease Agreement, to assign the Sublease Agreement and to pledge the Sublease Payments hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Agency according to the import thereof.

Creation of Liens; Indebtedness; Sale of Facilities. Except to the extent contemplated in the last paragraph under the heading "State Aid Intercept" with respect to the issuance of Project Bonds under a Series Indenture other than the Indenture, the Agency shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Ground Lease and the Sublease Agreement. The Agency further covenants and agrees not to sell, convey, transfer, lease, sublease (except pursuant to the Sublease Agreement), mortgage or encumber the real property constituting part of the Facilities or any of them or any part of such real property, except for Permitted Encumbrances or as specifically permitted under the Indenture, the Ground Lease and the Sublease Agreement, so long as any of the Bonds are Outstanding. The Agency shall have no pecuniary liability for its covenants set forth in the Indenture, including under this section.

Agency Tax Covenant. The Agency covenants to comply with each Tax Certificate. The Agency further covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the District or the Trustee, which would cause the interest on the Bonds issued as tax-exempt obligations to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Agency and the only remedy to which the Agency shall be subject shall be specific performance.

Events of Default; No Acceleration of Due Date. Each of the following events is hereby defined as and shall constitute an "Event of Default":

- (a) A failure to pay the principal of, or premium, if any, on any of the Bonds when the same shall become due and payable, whether at maturity, upon redemption or acceleration or otherwise.

(b) A failure to pay any installment of interest on any of the Bonds when the same shall become due and payable.

(c) A failure by the Agency to observe or perform any other material covenant, condition, agreement or provision other than as specified in the above clauses (a) or (b) of this section contained in the Bonds or in the Indenture which is to be observed or performed by the Agency, which failure shall continue for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, shall have been given to the Agency and the District by the Trustee (which may give such notice in its discretion, and shall give such notice at the request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding), provided, however, that no event shall be deemed an Event of Default so long as a remedy for such event is being diligently pursued, the Trustee and the Agency have received periodic notice of such efforts to remedy the Event of Default, and neither the Agency nor the Trustee has determined that such remedy is infeasible.

(d) The occurrence of an "Event of Default" under Section 8.01(c) of the Sublease Agreement.

In no event shall the principal of any Bond be declared due and payable in advance of its final stated maturity, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

Enforcement of Remedies. Subject to the Indenture, upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and, upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the IDA Act, the Rochester Schools Act, the Bonds, the Sublease Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity (including mandamus) or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the IDA Act or the Rochester Schools Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee hereunder or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

In the enforcement of any right or remedy under the Indenture, under any other Security Document, under the IDA Act or under the Rochester Schools Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Agency, for principal, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Agency, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the

Bondholders allowed in any judicial proceedings relative to the District or the Agency or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

After payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, the funds realized following the occurrence of an Event of Default shall be applied *first*, as provided in paragraph First and Second of this section, *second*, to pay any amounts which the District is required to rebate to the federal government pursuant to the Indenture and the Tax Certificate, *third*, to satisfy any obligation of the District under Section 4.03 (titled "Indemnification") of the Sublease Agreement, *fourth*, to satisfy any obligation of the District under Section 5.05 (titled "Liability Insurance") of the Sublease Agreement, and *fifth*, to satisfy any other obligations of the District under the Sublease Agreement. Nothing contained in this section shall be deemed to modify the application of State Aid Revenues under the heading "State Aid Intercept".

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the

date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such written notice to all Bondholders promptly upon receipt of the deposit with it of any such moneys of such deposit and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Actions by Trustee.** All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions of the Indenture, be for the equal benefit of the Holders of the Outstanding Bonds.

**Majority Bondholders Control Proceedings.** The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

**Individual Bondholder Action Restricted.** No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the IDA Act or the Rochester Schools Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions of the Indenture, be for the equal benefit of all Holders of the Outstanding Bonds, to the extent permitted by law.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, and interest on any Bond at and after the maturity thereof, or the obligation of the Agency to pay the principal or Redemption Price, if applicable, of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner herein and in said Bonds expressed.

**Effect of Discontinuance of Proceedings.** In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Agency, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights hereunder, and all rights,

remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Agency, to registered Holders of Bonds and to the District by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required by this section.

Waivers of Default. The Trustee shall waive any default hereunder and its consequences only upon the written request of the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee and reasonable legal fees and expenses in connection with such default shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

Indemnity. The Trustee shall be under no obligation to institute any suit, or to take any remedial action under the Indenture or under any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers under the Indenture, or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct or negligence.

Approvals or Consents by Trustee. The Trustee shall grant no approval, request or consent under the Security Documents except (i) as permitted by the Indenture, or (ii) upon a Rating Confirmation, or (iii) at the written direction of the Holders of a majority in aggregate principal amount of the Bonds Outstanding.

Defeasance. If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and

the Sublease Agreement, and any other amounts required to be rebated to the federal government pursuant to the Tax Certificate or the Indenture, shall be paid in full or duly provided for, then the pledge of the Sublease Payments under the Indenture and the estate and rights hereby granted, and all covenants, agreements and other obligations of the Agency to the Bondholders hereunder shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security hereunder, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this subsection. At the time of such cessation, termination, discharge and satisfaction, the Trustee and the Paying Agents shall pay over or deliver to the District or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal or Redemption Price, if applicable, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all such other amounts due or to become due under the Security Documents or (iii) for the payment of any amounts to the federal government under the Tax Certificate or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (and/or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds upon surrender thereof of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Prior to any defeasance becoming effective as provided above, there shall have been delivered to the Agency and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel addressed to, and acceptable in form and substance to, the Agency and the Trustee, to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and that the Bonds being defeased are no longer "Outstanding" under the Indenture, (B) a verification report from an independent certified public accountant or firm of independent certified public accountants or other recognized consultant or verification agent (in each case reasonably acceptable to the Agency and to the District) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased on the maturity or redemption date, as applicable, (C) an escrow deposit agreement (reasonably acceptable to the Agency and the Trustee), and (D) a certificate of discharge of the Trustee with respect to the Bonds being defeased.

No provision of this section, including any defeasance of Bonds, shall limit the rights of the Holder of any Bonds under the Indenture until such Bonds shall have been paid in full.

Supplemental Indentures Without Bondholders' Consent. The Agency and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders, for any of the following purposes:

(a) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(c) To add to the covenants and agreements of the Agency in the Indenture other covenants and agreements to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(d) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(e) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Sublease Payments or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(f) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure the federal tax exemption of the interest on the Bonds issued as tax-exempt obligations.

(g) To authorize the issuance of a Series of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(h) To effect any other change herein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(i) To effect the delivery of a Credit Facility and/or a Qualified Swap for a Series of Bonds.

(j) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(k) To permit the appointment of a co-trustee under the Indenture.

(l) To effect any other amendment or supplement (except for which the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds, or affected Series of Bonds, are required as provided in below) provided that the Trustee shall receive, in connection therewith, a Rating Confirmation.

Before the Agency and the Trustee shall enter into any Supplemental Indenture pursuant to this section, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its

terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms. Notice of the proposed Supplemental Indenture shall be mailed, postage prepaid, by the Trustee to S&P, Fitch and Moody's at least ten (10) days prior to the effective date thereof.

Supplemental Indentures With Consent of Bondholders. Subject to the terms and provisions contained in the Indenture, and except as provided in the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, that if any such Supplemental Indenture would affect only the Holders of a single Series of Bonds then Outstanding, then only the consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding of such affected Series shall be required. Nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, or a change in the method of determining the rate of interest on any Bond, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of Sublease Payments other than the liens or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this section, without, in the case of items (ii) through and including (v) of this paragraph, the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Agency shall determine to enter into any Supplemental Indenture for any of the purposes of this section, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to S&P, Fitch, Moody's, if applicable, and all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Within one year after the date of such notice, the Agency and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or, as provided in the first paragraph of this section above if applicable, the Holders of 100% in aggregate principal amount of the Bonds Outstanding) (or, if such Supplemental Indenture shall affect only a single Series of Bonds, the written consents of the Holders of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding) and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Agency in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

If the Holders of not less than the percentage of Bonds required by this section shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Agency from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Agency, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of District. Anything herein to the contrary notwithstanding, any Supplemental Indenture which materially and adversely affects any rights, powers and authority of the District under the Sublease Agreement or requires a revision of the Sublease Agreement shall not become effective unless and until the District shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the District.

Amendments of Related Security Documents Not Requiring Consent of Bondholders. Subject to the Indenture, the Agency and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to provide for the issuance of a Series of Additional Bonds; (v) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (vi) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; (vii) to make any change if, in connection therewith, the Trustee shall receive a Rating Confirmation (except for which the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds, or affected Series of Bonds, are required as provided in the Indenture); and (viii) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this section. Before the Agency or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds issued as tax-exempt obligations. Notice of the proposed amendment, change or modification to any of the Related Security Documents shall be provided to S&P, Fitch and Moody's by the Trustee at least ten (10) days prior to the effective date thereof.

Amendments of Related Security Documents Requiring Consent of the Bondholders. Except as provided in the Indenture, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding given and procured as in the Indenture set forth (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); provided, however, there shall be no amendment,

change or modification to (i) the obligation of the District to make Sublease Payments under the Sublease Agreement (except as provided therein or in connection with the issuance of a Series of Additional Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as in the Indenture provided (or, if such amendment, change or modification shall affect only one Series of Bonds, the consent of the Holders of 100% in aggregate principal amount of the affected Series of Bonds Outstanding), or (ii) the Tax Certificate with respect to a Series of Bonds issued as tax-exempt obligations without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on the related Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the District shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed to the same Persons and in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. Notice of the proposed amendment, change or modification shall also be mailed, postage prepaid, to S&P, Fitch and Moody's by the Trustee at least ten (10) days prior to the effective date thereof. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Series of Bonds issued as tax-exempt obligations.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX D

### **SUMMARY OF CERTAIN PROVISIONS OF THE SUBLEASE AGREEMENT**

*The following is a summary of certain provisions of the Sublease Agreement. This summary is qualified in its entirety by reference to the document itself.*

Sublease of the Facilities. The Agency subleases to the District and the City, and the District and the City sublease from the Agency (in each case to be effective on June 20, 2012), the Agency's leasehold interest in the Ground Lease Facilities pursuant to the Ground Lease in their "as is", "where is" and "subject to all faults" condition and upon and subject to the terms and conditions set forth in the Sublease Agreement. The District shall at all times during the Agreement Term occupy, use and operate each of the Ground Lease Facilities, or cause each of the Ground Lease Facilities to be occupied, used and operated, as an IDA Project. The District shall not occupy, use or operate any of the Ground Lease Facilities or allow any of the Ground Lease Facilities or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting any of the Ground Lease Facilities or which may constitute a nuisance, public or private.

It is the intention of the Agency, the City and the District under the Sublease Agreement that the sublease by the Agency hereunder of its leasehold interest in the Facilities under the Ground Lease shall not result in (i) a merger of the leasehold estates and interests of the City and the District and the Agency under the Ground Lease, (ii) a termination or any other impairment of the Ground Lease on the basis of merger or any other grounds, or (iii) the granting to the City or the District of any contractual rights of the Agency under the Ground Lease; and until the termination of the Ground Lease in accordance with its terms or the expiration hereof, the Ground Lease shall continue in full force and effect to the same extent as if the Agency had not subleased its leasehold interest in the Ground Lease Facilities to the City or the District pursuant to the Sublease Agreement.

The Sublease Agreement does not constitute an "installment purchase contract" as referred to under Section 13 of the Rochester Schools Act or under Section 109-b of the New York General Municipal Law.

Agreement Term. The Agreement Term shall commence on June 20, 2012 and terminate when all the Bonds shall cease to be Outstanding and the lien of the Indenture shall have been discharged or such earlier date as all the Bonds shall cease to be Outstanding and all amounts payable by the City or the District hereunder have been paid in full. Upon any termination of the Ground Lease with respect to a Ground Lease Facility, the Sublease Agreement shall concurrently terminate at such time with respect to the affected Ground Lease Facility, but no such termination shall in any way effect the calculation of remaining Sublease Payments or Additional Payments due or to become due hereunder. The Agency hereby delivers to the District and the District hereby accepts sole and exclusive possession of the Ground Lease Facilities, subject to the terms and conditions herein set forth. The Agency makes no representations whatsoever in connection with the condition of any of the Facilities, and the Agency shall not be liable for any defects therein.

Incorporation of Ground Lease Provisions. The Sublease Agreement is subject and subordinate to the Ground Lease, and all provisions thereof. In connection with the sublease of the Agency's leasehold interest in the Ground Lease Facilities, the Agency hereby delegates to the District, for observation of or performance by the District, all Ground Lease Covenants (as defined in the Ground Lease) of the Agency contained in the Ground Lease, and the District hereby assumes all of the Ground Lease Covenants. All terms, covenants and provisions of the Ground Lease applicable to the "Lessee" therein are hereby incorporated into the Sublease Agreement by reference, and the District agrees to

comply with the same and be responsible therefor. Such delegation herein to and assumption herein by the District shall not create a merger of the estates of the Agency and the District under the Ground Lease.

The Projects. Pursuant to the Ground Lease, the City and the District have vested the Agency with a valid leasehold estate in the Facilities, which leasehold estate the Agency is hereby subleasing to the City and the District, subject to the terms and conditions herein set forth.

As promptly as practicable after issuance of each Series of Bonds and, using the proceeds thereof, the District will proceed as agent for and on behalf of the Agency to effect the related Project, the costs thereof to be paid from the proceeds of the sale of such Series of Bonds deposited in the applicable Account of the Project Fund established under the Indenture. The District reasonably believes that the Projects will further the purposes of the Rochester Schools Act. The District agrees that it will use its best efforts to cause the Projects, to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted, but no delay in such completion of any Facility shall be the basis for any diminution in or postponement of the amounts payable hereunder by the District. Each agreement, contract, purchase order or other obligation entered into by the District as agent for the Agency shall expressly provide that the Agency shall have no liability thereunder, except to the extent of proceeds from the sale of Bonds which may be available therefor. The Agency shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any materials to be incorporated into any of the Ground Lease Facilities, except to the extent and solely from the proceeds of sale of the Bonds. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete all or any portion of the Projects, the District shall not be entitled to any reimbursement therefor from the Agency, the Trustee or the Holders of any of the Bonds, nor shall the District or the City be entitled to any diminution of the Sublease Payments or Additional Payments to be made under the Sublease Agreement.

As between the Agency, the City and the District, the District, acting specifically as agent of the Agency, shall be responsible for the letting and supervision of contracts for the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of each Facility, acceptance of the completed Facility or parts thereof, and all other matters incidental thereto. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, services, equipment, furnishings or materials for or in connection with the work with respect to a Facility shall be designated by the District, either on its own or as agent of the Agency.

In order to accomplish the purposes of the Agency, and to assure the effectuation of the Projects in conformity with the Plans and Specifications, the District has undertaken to proceed with the design of the Projects, and the preparation of the site of the Facilities to be improved, all either on its own or as agent of the Agency.

As between the Agency, the City and the District, the District shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance and transfer of a leasehold interest in the Facilities to the Agency pursuant to the Ground Lease, together with the delivery of any instruments and documents and their filing and recording, if required, (ii) all taxes and charges payable, if any, in connection with such conveyance and transfer, or attributable to periods prior to such conveyance and transfer, and (iii) all expenses or claims incurred in connection with the Projects and not funded from the proceeds of sale of the Bonds (or of any Series of Additional Bonds).

The District covenants that, at all times as it shall be effecting the Projects, it will comply with all laws, acts, rules, regulations, permits, orders and requirements lawfully made, of any national, State, legislative, executive, administrative or judicial body, commission or office exercising any power of

regulation or supervision over such work or over the manner of construction or operation thereof and with the conditions and requirements of all policies of liability insurance as provided in the Sublease Agreement. Upon completion of the work with respect to a Facility, the District will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of such Facility for the purposes contemplated by the Sublease Agreement and shall furnish copies of same to the Agency and the Trustee immediately upon receipt thereof.

The District further covenants that contracts in connection with the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of a Facility shall be made in accordance with applicable law, including, but not limited to, the Rochester Schools Act.

The District covenants to cause its contractors, architects, consultants and others with whom it contracts with respect to the design, acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of a Facility, or with respect to the operation, maintenance and/or repair of a Facility, to provide liability insurance coverage against all forms of risk which are appropriate, including general and professional liability insurance normally associated with the type and nature of the service, product or combination thereof, contracted to be provided by such contractors, architects, consultants and others, and to name the Agency as an additional insured as its interest may appear. The District shall deliver to the Agency appropriate certificates of insurance evidencing the amount and scope of all liability insurance provided by each contractor, architect, consultant or other person pursuant to a contract with the District with respect to the design, acquisition, construction, renovation, reconstruction, improvement, equipping, operation, maintenance, repair and/or furnishing or otherwise providing work with respect to a Facility. The District shall deliver such certificates to the Agency on each July 15 pertaining to each one year period ending June 20.

Upon the completion or abandonment by the District of any of the Projects or any portion thereof, the District shall deliver a certificate of an Authorized Representative of the District to the Agency and the Trustee to such effect.

Project Fund. The Agency has, in the Indenture, authorized and directed the Trustee to make payments from the Project Fund from time to time to pay the cost of the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of a Facility upon receipt of a requisition signed by an Authorized Representative of the applicable Program Manager, and approved by an Authorized Representative of the District, in the form set forth in the Indenture.

The date of completion of the work for a Facility shall be evidenced to the Agency and the Trustee by a certificate of an Authorized Representative of the District stating, except for any costs not then due and payable or the liability for payment of which is being contested or disputed in good faith by the District (i) the date of completion of such work; (ii) that the related Facility has been completed substantially in accordance with the Plans and Specifications and all labor, services, machinery, equipment, furnishings, materials and supplies used therefor have been paid for; (iii) that all other facilities necessary in connection with such Facility have been completed and all costs and expenses incurred in connection therewith have been paid; (iv) that all property of such Facility is subject to the Ground Lease and the Sublease Agreement; (v) that, in accordance with all applicable laws, regulations, ordinances and guidelines, such Facility has been made ready for occupancy, use and operation for its intended purposes; (vi) the amount, if any, required in his opinion for the payment of any remaining part of the costs with respect to such Facility; and (vii) the amount of the proceeds of the Bonds, including the investment earnings thereon, expended with respect to such Facility. Such certificate shall further certify as to the determination of the Rebate Amount as provided in the Tax Certificates and the Indenture. Notwithstanding the foregoing, such certificate shall state (i) that it is given without prejudice to any

rights of the Agency, the Trustee, the City or the District against third parties which exist at the date of such certificate or which may subsequently come into being, (ii) that it is given only for the purposes of the Indenture, and (iii) that no Person other than the Agency and the Trustee may benefit therefrom. Such certificate of the Authorized Representative of the District shall be accompanied by (i) a temporary or permanent certificate of occupancy and any and all permissions, approvals, licenses or consents required of governmental authorities for the occupancy, operation and use of the completed Facility for the purposes contemplated by the Sublease Agreement; (ii) a certificate of an Authorized Representative of the District that all costs of the completed Facility have been paid in full; and (iii) such additional documentation, if any, as required by the Indenture. Upon the determination by the District that the amount on deposit in the applicable Account of the Project Fund shall be sufficient to pay all remaining Project Costs of the applicable Project for the purpose for which such Account was funded, the District shall deliver to the Agency and the Trustee a certificate of an Authorized Representative of the District to such effect.

Default in Contractors' Performance. In the event of default of any contractor or subcontractor under any contract made in connection with a particular Facility or Facilities, the District will cause the applicable Program Manager to exhaust its remedies against the contractor or subcontractor so in default and against each surety for the performance of such contractor. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be paid into the Project Fund.

Additional Facilities. The Agency and the District recognize that, under the provisions of and subject to the conditions set forth in the Indenture or a related Series Indenture, a Series of Additional Bonds or additional Series of Project Bonds may be issued from time to time pursuant to separate Series Indentures to finance the costs of the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of Facilities and/or Additional Facilities.

Payment of Sublease Payments. Subject to provisions in the Sublease Agreement, the District agrees to pay or cause to be paid, on each Sublease Payment Date, the Sublease Payments. In the event the District shall have failed to appropriate (irrespective of whether such failure results from a failure of the City to approve a proposed District budget, or otherwise) by November 10, commencing November 10, 2013, the Sublease Payment Requirement, then, (y) the District shall promptly deliver written notice of such failure to appropriate to the Agency and the Trustee, and (z) that Sublease Payment next due on such immediately succeeding April 1 shall instead be due on the November 15 immediately following such November 10 as if that November 15 were the originally scheduled Sublease Payment Date. Sublease Payments must be deposited by or on behalf of the District, as provided in the State Aid Trust Agreement, with the Trustee by no later than each Sublease Payment Date.

The District shall have the option to make from time to time prepayments in part of payments due as aforesaid of Sublease Payments, together with interest accrued and to accrue and premium, if any, to be paid on a Series of Bonds, if, but only if, such prepayment is to be used for the redemption or defeasance of such Series of Bonds. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Indenture as may be specified in writing by an Authorized Representative of the District at the time of making such prepayment.

Direction as to Payment of Sublease Payments. Sublease Payments shall be paid to the Trustee for credit to the Bond Fund.

Indemnification of the Agency and Trustee and Limitation on Liability. The District and the City shall, jointly and severally, to the maximum extent permitted by law, at all times protect, defend and hold the Agency, the Trustee, the Bond Registrar, the Paying Agents and the Depository Bank and their

respective officers, members, directors, employees and agents (collectively, the "Indemnified Parties") harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, and taxes (of any kind and by whomsoever imposed), other than, with respect to any Indemnified Party, losses arising from the gross negligence or willful misconduct of such Indemnified Party, arising upon or about any of the Facilities or resulting from, arising out of, or in any way connected with (i) the financing of the costs of the Phase I Projects and the marketing, remarketing, issuance and sale of the Bonds from time to time for such purpose (except that, with respect to the financing of the costs of the Phase I Projects and the marketing, remarketing, issuance and sale of the Bonds from time to time for such purpose, no indemnification shall be available to an Indemnified Party hereunder for its negligence, gross negligence or willful misconduct), (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or financing of the Facilities or any part of any thereof or the effecting of any work done in or about any of the Facilities, (iii) any defects (whether latent or patent) in any of the Facilities, (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of any of the Facilities or any portion thereof, or (v) the Sublease Agreement, the Indenture or any other Project Document or other document or instrument delivered in connection herewith or therewith or the enforcement of any of the terms or provisions hereof or thereof or the transactions contemplated hereby or thereby. Such indemnification set forth above shall be binding upon the District and the City for any and all claims, demands, expenses, liabilities and taxes set forth herein and shall survive the termination of the Sublease Agreement. The City and the District each agree, for the benefit of the Indemnified Parties, that any determination that any or all such indemnification may not be enforceable in accordance with its terms against the City or the District shall not constitute a basis for the impairment of the obligations to indemnify on the part of the other. Except as provided above, no Indemnified Party shall be liable for any damage or injury to the person or property of the District or the City or any of their respective directors, officers, employees, agents or servants or persons under the control or supervision of the City or the District, or any other Person who may be about any of the Facilities, due to any act or negligence of any Person other than for the gross negligence or willful misconduct of such Indemnified Party. The District and the City (collectively, the "Indemnitors" and each, an "Indemnitor") each release each Indemnified Party from, and each agrees, to the maximum extent permitted by law, that no Indemnified Party shall be liable for, and each agrees to defend, indemnify and hold each Indemnified Party harmless against, any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in subdivision (i) through (v) of the paragraph above or at the direction of an Indemnitor with respect to any of such matters above referred to; provided, however, that such indemnification by the Indemnitors shall not extend to any Indemnified Party whose gross negligence or willful misconduct resulted in such expense, loss, damage, injury or liability (and, with respect to the financing of the costs of the Phase I Projects and the marketing, remarketing, issuance and sale of the Bonds from time to time for such purpose as described in (i) of the paragraph above, no defense, indemnification, or hold harmless benefit shall be available to an Indemnified Party hereunder for its negligence, gross negligence or willful misconduct). An Indemnified Party shall promptly notify the Indemnitors in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Indemnitors pursuant to this section; such notice shall be given in sufficient time to allow the Indemnitors to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense hereunder nor in any way impair the obligations of Indemnitors under this section, except that if (i) the Indemnified Party shall have had knowledge or notice of such claim or action but shall not have timely notified the either Indemnitor of any such claim or action, (ii) neither Indemnitor shall have had knowledge or notice of such claim or action, and (iii) the Indemnitors' ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the Indemnified Party, then each Indemnitor's obligation to so defend and indemnify such Indemnified Party shall be qualified to the extent (and only to the extent) of such material impairment.

The indemnifications and protections set forth in this section shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

Upon timely notification to the Indemnitors of any claim or action as described in the second paragraph above of this section, the Indemnitors and the Agency agree that the Agency, as an Indemnified Party, reserves and is granted the express right to select independent legal counsel if it is determined by the Agency, after its diligence and in its reasonable discretion, that there is a conflict of interest between the Indemnitors and the Agency. The Indemnitors shall pay the reasonable cost of such independent legal counsel selected by the Agency consistent with the Indemnitors' indemnification obligations hereunder.

Anything to the contrary in the Sublease Agreement notwithstanding, the covenants of the Indemnitors contained in this section shall remain in full force and effect after the termination of the Sublease Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions herein specified.

For the purposes of this section, neither Indemnitor shall be considered an employee, agent or servant of the Agency or a person under the Agency's control or supervision.

Nature of Obligations. Except as provided for in this section, the obligation of the District to pay Sublease Payments and Additional Payments shall be absolute and unconditional, and such Sublease Payments and Additional Payments shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Trustee, any purchaser of any Bond or any other Person, and whether or not the Facilities or any of them are used or occupied by the District or available for use or occupancy by the District.

The obligation of the District to pay Sublease Payments shall be deemed executory only to the extent of State Aid Revenues appropriated and available to the District for the purpose of the Sublease Agreement and the State Aid Trust Agreement, and moneys appropriated by the District for such purpose, and no liability on account thereof shall be incurred by the District beyond the amount of such moneys; provided, however, that the failure of the District for any reason (including a failure by the State or the District to appropriate State Aid Revenues) to make a Sublease Payment or an Additional Payment shall be deemed a failure to make a payment for purposes of the Sublease Agreement and the Rochester Schools Act, and in such event, the Agency has appointed the Trustee to act as its agent for purposes of intercepting State Aid in accordance with the provisions of the Indenture. Further, the obligation of the District to pay Sublease Payments is not a general obligation of the City or the District. Neither the full faith and credit nor the taxing power of the City or the District are pledged to the payment of any Sublease Payment or Additional Payment due under the Sublease Agreement. Neither the Sublease Agreement nor any representation by any public employee or officer creates any legal or moral obligation to appropriate or make moneys available for the purposes of making Sublease Payments or Additional Payments under the Sublease Agreement. However, the obligations of the District or the City under the Sublease Agreement to pay Additional Payments are enforceable, limited obligations of the District or the City, respectively, that may be satisfied, without appropriation by either the City or the District, but only from State Aid Revenues received under the State Aid Trust Agreement, under the terms thereof.

The obligations of the District under the Sublease Agreement, including its obligation to pay the Sublease Payments and Additional Payments in any Fiscal Year for which the Sublease Agreement is in effect, shall constitute a current expense of the District for such Fiscal Year and shall not constitute an

indebtedness of the City or the District within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available to the District for the payment of any Sublease Payment coming due hereunder shall be moneys comprising State Aid Revenues lawfully appropriated by the State and available therefor from time to time to or for the benefit of the District, and appropriated for such purpose by the District. The only sources of moneys available to the District or the City for the payment of any Additional Payment coming due hereunder shall be i) moneys comprising State Aid Revenues lawfully appropriated by the State which are available under the terms of the State Aid Trust Agreement, or ii) moneys appropriated by the City or the District, respectively, for such purpose.

The District agrees that its proposed expense budget for each ensuing Fiscal Year commencing with the Fiscal Year ending June 30, 2013 shall include, either as a separate unit of appropriation or as an expenditure within a unit of appropriation, the amount of Sublease Payments and Additional Payments to come due in such next Fiscal Year, provided, however, that any such appropriation of Sublease Payments and Additional Payments shall only be payable by the District to the extent of State Aid Revenues available therefor.

Subject to the limitations contained in this section, the District will not terminate the Sublease Agreement (other than such termination as is provided for hereunder) or be excused from performing its obligations hereunder for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of any of the Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of any of the Facilities, or the failure of the Agency to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Sublease Agreement.

The District presently intends to continue the Sublease Agreement for its entire term and to pay all Sublease Payments as such Sublease Payments come due under the terms and provisions of the Sublease Agreement.

No provision contained in this section shall be deemed to limit, impair or modify the State Aid Revenues intercept provisions contained in Section 16(b) of the Rochester Schools Act or the application of the provisions of the Indenture. Any moneys paid by the State Comptroller under Section 16(b) of the Rochester Schools Act shall be credited against the amounts due the recipient thereof under the terms of the Sublease Agreement.

Directed State Aid Revenues. Pursuant to instructions, the Chief Financial Officer of the City and the Superintendent of the District have directed the State Comptroller's Office to deposit all State Aid Revenues into the State Aid Depository Fund established under the State Aid Trust Agreement, and the Chief Financial Officer of the City and the Superintendent of the District have further instructed the Depository Bank, pursuant to the terms and provisions of the State Aid Trust Agreement, to transfer State Aid Revenues to the Trustee and each other Series Trustee in accordance with the State Aid Trust Agreement for the purpose of, in the case of the Indenture, making deposits in the Bond Fund with respect to amounts due on the Bonds. The District agrees not to modify the procedures set forth in the State Aid Trust Agreement for the collection, deposit or disbursement of State Aid Revenues, except as and to the extent permitted under the State Aid Trust Agreement.

The District and the City acknowledge that, pursuant to the Indenture and the Rochester Schools Act, in the event the City or the District shall fail (for any reason, including the failure of the appropriate legislative body of the District to appropriate moneys for such purpose) to make a payment under the Sublease Agreement in the amount and by the date the same is due, the Agency has appointed the Trustee

to act as its agent under the Indenture for the purpose of delivering a certificate to the State Comptroller certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the District or the City such State Aid Revenues as are payable to the District or the City to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the Trustee on behalf of the Agency, the amount of such State Aid Revenues so withheld. Notwithstanding anything to the contrary contained herein, amounts of such State Aid Revenues received by the Trustee on behalf of the Agency and applied to the Sublease Payments or Additional Payments shall be deemed to satisfy the City's or the District's obligation to make such defaulted payment to the extent of the amount received.

Assignment of Sublease Payments by the Agency. It is understood that the Sublease Agreement and all Sublease Payments by the District (except Additional Payments pursuant to the Sublease Agreement and other Additional Payments and/or rights comprising the Agency's Reserved Rights) are to be pledged and assigned by the Agency to the Trustee pursuant to the Indenture, and the District and the City hereby consent thereto. Except as provided in the Sublease Agreement and the Indenture, the Agency shall not assign this Agreement or any Sublease Payments hereunder.

Additional Bonds. So long as the Sublease Agreement remains in effect and no Event of Default exists hereunder the Agency may authorize the issuance of a Series of Additional Bonds for the purposes and upon the terms and conditions set forth in the Indenture. The Agency will, on written request of an Authorized Representative of the District from time to time, use its best efforts to issue a Series of Additional Bonds in amounts requested by the District, so long as the District, the City and the Agency shall have entered into an amendment to the Sublease Agreement reaffirming the representations and covenants contained herein, adjusting the total Sublease Payments so as to amortize in full any Outstanding Bonds and the new Additional Bonds and describing the Facilities or Additional Facilities to be financed by the Additional Bonds.

Operation, Maintenance and Repair. During the Agreement Term, the District shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good and safe condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural. All replacements, renewals and repairs shall be equal in quality, class and value to the original work and be made and installed in compliance with the requirements of all governmental bodies. The Agency shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of any of the Facilities, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of any of the Facilities, or to furnish any utilities or services for any of the Facilities and the District hereby agrees to assume full responsibility therefor.

Additions, Enlargements and Improvements. The District shall have the right at any time and from time to time during the Agreement Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, any of the Facilities, as the District shall deem necessary or desirable in connection with the use of such Facilities. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the related Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the affected Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Facility shall be and become a part of such Facility, and become subject to the Sublease Agreement and the Ground Lease.

**Additional Rights of District.** The Agency agrees that the District shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense equipment (not constituting part of the Projects) in or upon any Facility as may in the District's judgment be necessary for its purposes. It is further understood and agreed that any equipment erected or installed under the provisions of this Section shall be and remain the personal property of the District and, if not constituting part of the Projects, shall not become subject to the Ground Lease or the Sublease Agreement, and may be removed, altered or otherwise changed, upon or before the termination of the Sublease Agreement.

**Liability Insurance.** The District shall maintain or cause to be maintained with responsible insurers, for the benefit of the City, the Agency and the Trustee until completion of the Projects in accordance with the second paragraph under the heading "Project Fund", the following kinds and the following amounts of insurance with respect to the Facilities, with such variations as shall reasonably be required to conform to customary insurance practice:

- (a) During any period of construction or reconstruction of any of the Facilities, insurance coverage relating to the risks of construction or reconstruction at least equal to any insurance coverage maintained by the City or the District for the benefit of the City or the District, if any such insurance is so maintained by the District. "Insurance relating to construction or reconstruction" shall include, but is not limited to, any coverage for builders' risk and coverage for property damage, all of which insurance may include coverage for removal of debris, insuring the buildings, structures, facilities, machinery, equipment, fixtures and other property included within renovations to any of the Facilities against loss or damage by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance, if obtained, shall be sufficient to prevent the District, the Agency or the Trustee from becoming a co-insurer of any loss under the insurance policies;
- (b) During any period of construction or reconstruction of any of the Facilities, commercial public liability insurance with respect to the construction activities at the Facilities in a minimum amount, per occurrence and aggregate, at least equal to any such insurance coverage, if any, maintained by the City or the District for the benefit of the City or the District, which insurance, if obtained, (i) will also provide coverage of the District's obligations of indemnity under the Sublease Agreement, and (ii) may be effected under overall blanket or excess coverage policies, or may be effected by a comprehensive liability insurance policy; and
- (c) Workers' compensation insurance and such other forms of insurance which the District or the Agency is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of any contractor or subcontractor performing work with respect to any of the Facilities, the District shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by laws.

Prior to the commencement of construction of the Facilities, or as soon thereafter as reasonably practical, the District shall deliver or cause to be delivered to the Agency and to the Trustee duplicate copies of insurance policies obtained by the District hereunder and/or binders evidencing compliance with the insurance requirements of this section. If any change shall be made in any such insurance, a

description and written notice of such change shall be furnished by the District to the Agency and the Trustee.

Upon the expiration of any insurance policy required under this section, the District shall furnish the Agency and the Trustee with evidence that such policy has been renewed or replaced or is no longer required by the Sublease Agreement.

All insurance required by this section shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State. Each of the policies or binders evidencing the insurance required above to be obtained shall:

- (a) provide that there shall be no recourse against the Agency or the Trustee for the payment of premiums or commissions or (if such policies or binders provide for the payment thereof) additional premiums or assessments;
- (b) provide that in respect of the interests of the Agency and the Trustee in such policies, the insurance shall not be invalidated by any action or inaction of the District or any other Person and shall insure the Agency and the Trustee regardless of, and any losses shall be payable notwithstanding, any such action or inaction;
- (c) provide that such insurance shall be primary insurance without any right of contribution from any other insurance carried by the Agency or the Trustee to the extent that such other insurance provides the Agency or the Trustee with contingent and/or excess liability insurance with respect to its interest as such in the Facilities (for purposes of this clause, "primary" means only that the insurance coverage will be available to the Agency and the Trustee without the insurer being able to avoid or delay payment on grounds that the Agency or the Trustee has other coverage which could cover the loss, so that it would be available irrespective of the terms of other insurance provided by or for the benefit of the Agency or the Trustee);
- (d) waive any right of subrogation of the insurers thereunder against any Person insured under such policy, and waive any right of the insurers to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of any Person insured under such policy; and
- (e) contain such other terms and provisions as any owner or operator of facilities similar to the Facilities would, in the prudent management of its properties, require to be contained in policies, binders or interim insurance contracts with respect to facilities similar to the Facilities owned or operated by it.

The District shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Agency or the Trustee to collect from insurers for any loss covered by any insurance required to be obtained by this section. The District shall not do any act, or suffer or permit any act to be done, whereby any insurance required by this section would or might be suspended or impaired.

The District and the City hereby assume all risks that the proceeds of any insurance may be inadequate to fully indemnify the Agency and the Trustee against, or to reimburse the Agency and the Trustee for, any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required hereby. The District and the City acknowledge that the District and the City shall be

solely responsible for the payment of any loss, liability, claim or judgment, or any portion thereof, falling within any deductible or self insured retention or which is in excess of any available insurance coverage.

Not Indebtedness of District or City. The obligation of the District hereunder to make Sublease Payments does not and will not constitute indebtedness of the District or the City under Article VIII of the State Constitution or Section 20.00 of the Local Finance Law of the State nor shall such obligation constitute a contractual obligation in excess of the amounts appropriated by the District therefor. The obligation of the District and the City to make Additional Payments, however, is a limited obligation payable only from amounts available under the State Aid Trust Agreement or from amounts appropriated by the District or the City therefor.

Use of Bond Proceeds. Any costs of the Projects paid from the proceeds of the sale of the Bonds will be treated or are capable of being treated on the books of the District as capital expenditures in conformity with generally accepted accounting principles applied on a consistent basis. No part of the proceeds of the Bonds will be used to finance inventory or will be used for working capital or used for any property which is not subject to the leasehold estate of the Ground Lease and to the Sublease Agreement.

Compliance with Laws and Regulations. The District will, at its own cost and expense, promptly comply with, or cause to be complied with, all laws, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the District and any of the Facilities or the use or manner of use of any of the Facilities; provided, however, the District's obligation to comply with any such law, rule, regulation or governmental requirement shall be suspended during any contest thereof in good faith by the District, which contest is being diligently prosecuted. The District will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Covenant not to Affect the Tax Status of the Bonds. Each of the City and the District agrees that it will comply with the Tax Certificates and it will take no action, nor permit any action to be taken that would adversely affect (i) the exclusion from gross income for federal income tax purposes of interest on the Outstanding Tax-Exempt Bonds or (ii) the status of the Series 2012B Bonds as "qualified tax credit bonds" within the meaning of Section 54A of the Code, "qualified school construction bonds" within the meaning of Section 54F of the Code, and "specified tax credit bonds" within the meaning of Section 6431(f)(3) of the Code.

Covenants as to State Aid Trust Agreement. The City and the District agree not to revoke the instructions furnished to the State Comptroller's office to forward all State Aid Revenues payments to the Depository Bank. The City and the District also agree to comply with and not to terminate the State Aid Trust Agreement or materially modify the terms and provisions thereof in a manner which would materially adversely affect the owners of any Project Bonds, except as may be permitted under the terms of the State Aid Trust Agreement.

Release of Facilities. Notwithstanding any other provision of the Sublease Agreement, so long as there exists no event of default hereunder, nor any event which upon the giving of notice or the passage of time or both, would constitute an event of default, and so long as the requirements under the heading "Covenant not to Affect the Tax Status of the Bonds" are met, the District may, upon written notice to the Agency and the Trustee and compliance with the following, effect the release of a Facility, to no longer be used by the District as a public school, or the costs with respect to which have been financed with the Bonds which are no longer Outstanding, from the Sublease Agreement and the leasehold estate of the Ground Lease. Upon receipt of such notice, the Agency and the Trustee shall, at the sole cost and expense of the District, execute and deliver any and all instruments necessary or appropriate to so release

and remove such Facility from the Facilities subject to the Sublease Agreement and the leasehold estate of the Ground Lease; provided, however, that in the event the release is of the last remaining Facility, the District must further pay Sublease Payments necessary to effect the redemption in whole of the Bonds.

No conveyance or release effected under the provisions of this section shall entitle the District to any abatement or diminution of the Sublease Payments or the Additional Payments required to be made by the District under the Sublease Agreement.

Compliance with Requirements for State Aid Revenues. The District will comply with all requirements necessary to ensure receipt of State Aid Revenues over the term of the Sublease Agreement.

No Impairment of Pledge of State Aid Revenues. The District and the City covenant and agree that they shall enter into no agreement, indenture or other instrument, including any Series Facilities Agreement, in connection with a Series of Project Bonds under a Series Indenture, which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid Revenues under the Rochester Schools Act than the pledge effected pursuant to the Indenture; provided, however, that nothing contained in the Sublease Agreement shall be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid Revenues on a parity with the pledge effected by the Agency under the Indenture, or (z) to require that any Series of Project Bonds issued under a Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any lease rental payment dates or installment payment dates, as applicable, under a Series Facilities Agreement be the same as provided for hereunder.

Events of Default. An “event of default” or a “default” shall mean, whenever they are used herein, any one or more of the following events: Failure by the District to pay or cause to be paid when due (other than failure to pay as a result of an Event of Nonappropriation) the Sublease Payments to be paid hereunder;

(b) Failure by the District or the City to pay or to cause to be paid when due any Additional Payment required to be made hereunder, which failure shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by the District to observe and perform the covenants set forth in the fourth, fifth and sixth paragraph under the heading “Nature of Obligations” above or as described under the headings “Covenants as to State Aid Trust Agreement” or “Compliance with Requirements for State Aid Revenues” above;

(d) Failure of the District to maintain the insurance coverage required as described under the heading “Liability Insurance” above or failure by the District to perform the indemnification obligations described under the heading “Indemnification of the Agency and Trustee and Limitation on Liability” above, and continuance of any such failure for a period of thirty (30) days after receipt by the District of written notice specifying the nature of such default from the Agency or the Trustee;

(e) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (a), (b), (c) and (d) of this section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the District by the Agency, the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, unless by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the District has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions;

(f) The District or the City shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the District seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the District or the City shall authorize any of the actions set forth above in this subparagraph; or

(g) The entering of an order or decree appointing a receiver of the Facilities or any thereof with the consent or acquiescence of the District or the City or the entering of such order or decree without the acquiescence or consent of the District or the City if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

Notwithstanding anything contained in this section to the contrary, a failure by the District or the City to pay when due any payment required to be made hereunder or a failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, resulting from a failure by the Board of Education of the District or the City Council of the City, respectively, to appropriate moneys for such purposes, shall not constitute an event of default hereunder. However, the failure by the District or the City to pay when due any payment required to be made by it under the Sublease Agreement, irrespective of whether such payment constitutes a Sublease Payment or an Additional Payment, shall constitute a failure to make a payment under the Sublease Agreement for purposes of the Rochester Schools Act, and in such event the Agency has appointed the Trustee to act as its agent for purposes of intercepting State Aid in accordance with the provisions of the Indenture. The District agrees to provide written notice to the Trustee indicating either (i) the Superintendent of the District submitted a budget to the Board of Education that fails to include a separate line item representing the full amount of Sublease Payments payable during the applicable Fiscal Year or (ii) the Board of Education adopted a District budget that fails to include such a separate line item.

Remedies. Whenever any event of default, referred to under the heading "Events of Default" above, shall have happened and be continuing, or whenever an Event of Nonappropriation shall have occurred and be continuing, the Agency (with the prior written consent of the Trustee) or the Trustee, subject in all respects to the provisions under the heading "Nature of Obligations" above, may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the District or the City hereunder. Notwithstanding the foregoing, for so long as any of the Bonds are Outstanding or any amounts remain due and payable by the District or the City under the Sublease Agreement, neither the Agency nor the Trustee shall take any action which shall have the effect of terminating the Sublease Agreement or the interest in or rights of possession of the District or the City in the Facilities, provided, however, that in addition to any other rights or remedies granted by this section to the Agency, the Agency may enforce any of the Agency's Reserved Rights without the consent of the Trustee or any other person, by an action for damages, injunction or specific performance. No action taken pursuant to this section shall relieve the District from the District's obligations hereunder, all of which shall survive any such action.

Cure. Notwithstanding any remedy taken by the Agency or the Trustee pursuant to the provisions described under the heading "Remedies" above, if all arrears of Sublease Payments, and all other Additional Payments, shall have been paid, all other things shall have been performed in respect of which there was an event of default or Event of Nonappropriation and there shall have been paid the reasonable fees and expenses, including expenses of the Trustee (including reasonable attorneys' fees paid or

incurred), then the event of default or Event of Nonappropriation shall be waived without further action by the Trustee or the Agency.

No Remedy Exclusive. Subject to the provisions of the second sentence of under the heading "Remedies" above, no remedy herein conferred upon or reserved to the Agency or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Agency or the Trustee to exercise any remedy reserved to it in the Sublease Agreement it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Limitations on Termination of Agreement. Notwithstanding any provisions of the Sublease Agreement to the contrary, neither the Agency, the Trustee, the City nor the District shall take or fail to take any action which would cause the Sublease Agreement to terminate while any Bonds remain Outstanding or any amounts remain due and payable under the Sublease Agreement or prior to the discharge of the lien of the Indenture.

## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE STATE AID TRUST AGREEMENT

*The following is a summary of certain provisions of the State Aid Trust Agreement. This summary is qualified in its entirety by reference to the document itself.*

Establishment of State Aid Depository Fund. In order to facilitate the purposes of the Rochester Schools Act and the payment of the Aggregate Facilities Payment Obligations, there is hereby established a special fund which shall be known, and is referred to, as the State Aid Depository Fund. The State Aid Depository Fund shall be held by and maintained with the Depository Bank, and the District hereby agrees with the City, the Depository Bank and each Series Trustee that it will duly and punctually pay or cause to be paid the Aggregate Facilities Payment Obligations from amounts deposited to the State Aid Depository Fund, and that it will maintain the State Aid Depository Fund with the Depository Bank, and will operate the State Aid Depository Fund in the manner set forth herein.

Operation of the State Aid Depository Fund. Pursuant to written instructions to the New York State Comptroller, the Chief Financial Officer and the Collecting Officer have directed the New York State Comptroller's Office to deposit all State Aid Revenues into the State Aid Depository Fund except for any amount of State Aid Revenues withheld from the City or the District in accordance with the provisions of the Rochester Schools Act.

Notwithstanding the following provisions of this section, if the Depository Bank receives written instructions from the Chief Financial Officer with an accompanying monthly payment schedule from the Chief Financial Officer indicating that, pursuant to applicable state law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid Revenues must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule of outstanding revenue anticipation notes issued by the City in anticipation of the receipt of the State Aid Revenues (the "RAN Repayment Requirement"); then, each month, the Depository Bank shall immediately withdraw from the State Aid Depository Fund all State Aid Revenues that are received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under this section, to such special bank account, until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not yet paid.

Commencing on June 20, 2012 through and including November 30, 2013, the Depository Bank shall immediately upon receipt of any payment of State Aid Revenues pay over to the General Fund all such State Aid Revenues.

On or before July 15, 2013 for the Fiscal Year ending June 30, 2014, and on or before July 15 of each subsequent Fiscal Year for such subsequent Fiscal Year, the Collecting Officer and the Chief Financial Officer shall prepare and deliver to the Depository Bank a certificate (the "State Aid Payment Certificate"), setting forth (i) a statement that (A) the District has appropriated an amount of State Aid Revenues necessary to fund the District's Aggregate Facilities Payment Obligations payable in such Fiscal Year, as calculated as of the date of such statement, (B) the City Council has approved the District's budget containing such appropriation or has otherwise caused or permitted such appropriation to become effective, and (C) all other conditions precedent to the effectiveness of said appropriation have been satisfied and (ii) the total amount of State Aid Revenues expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period. However, if the events described above in (i)(A), (B) and (C) of this paragraph have not occurred for such

Fiscal Year, the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect, and shall not include any information regarding the collection of State Aid Revenues during the Collection Period.

On or before November 10 of each Fiscal Year, commencing November 10, 2013, each Series Trustee shall prepare and deliver to the Collecting Officer, the Chief Financial Officer and the Depository Bank a certificate (the "Base Facilities Agreement Payment Certificate") setting forth the Net Base Facilities Agreement Payment (computed as of November 10 of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

If applicable, on or before November 10 of each Fiscal Year, each Series Trustee shall, in accordance with the provisions of the Series Indenture pursuant to which such Series Trustee has been appointed, prepare and deliver to the Collecting Officer, the Chief Financial Officer and the Depository Bank a certificate (the "Reserve Payment Certificate") setting forth the Reserve Payment (if any, as defined in each Series Facilities Agreement and computed as of November 10 of such Fiscal Year) portion of the Facilities Payment Obligations due and the amount of the Debt Service Reserve Deficiency as of the date of such certificate.

During each Collection Period beginning after November 30, 2012, if the Depository Bank has received a State Aid Payment Certificate with respect to such Collection Period, the Depository Bank shall, immediately upon receipt of any payment of State Aid Revenues, withdraw such State Aid Revenues from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) ***first***, to each Series Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period shall equal the sum of (A) the product of the Collection Percentage for such month, multiplied by the Net Base Facilities Agreement Payment due the immediately following April 1 as set forth in the Base Facilities Agreement Payment Certificate most recently received by the Depository Bank, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited;

(ii) ***second***, thereafter during each month of such Collection Period, to each Series Trustee for deposit in the Debt Service Reserve Fund established pursuant to the related Series Indenture, if any, until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository Bank; and

(iii) ***third***, thereafter during each month of such Collection Period, to the General Fund.

In the event that any amount on deposit in the State Aid Depository Fund in any month of the Collection Period, at any time, shall be less than the amount required to be paid to a Series Trustee under clauses (i) or (ii) above, the Depository Bank shall make payment to each Series Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, "Ratable Basis" shall be first computed based on amounts payable to each Series Trustee under clause (i) above if there is not enough in the State Aid Depository Fund to pay to each Series Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been paid in full, then computed based on the amount payable to each Series Trustee under clause (ii).

Thereafter from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid Revenues, the Depository Bank shall withdraw such State Aid

Revenues from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

If the Depository Bank has not received with respect to a Collection Period for any reason a State Aid Payment Certificate, the Depository Bank, both during and after such Collection Period until the next Collection Period, shall withdraw any State Aid Revenues from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

Procedure for Collection and Deposit of State Aid Revenues. The procedure set forth in the State Aid Trust Agreement for the operation of the State Aid Depository Fund is related to the District's current procedure for the collection, deposit and disbursement of State Aid Revenues. Nothing herein contained shall prevent the City, the Depository Bank, the District or the Series Trustees from effecting any change by amendment hereto modifying the procedures for the collection, deposit and disbursement of State Aid Revenues, without the consent of any other party; provided, however, that (i) the District hereby agrees with the City, the Depository Bank and each Series Trustee that (x) prior to making any such change, the District shall notify each Rating Agency of such change and that prior to any such change there shall be delivered to the Depository Bank a rating confirmation of each Rating Agency that the then current unenhanced rating of the Project Bonds will not be withdrawn or reduced as a result of such change and (y) the District will not change or alter the procedure for the collection and deposit of State Aid Revenues which in any manner would result in insufficient State Aid Revenues being available to timely pay Facilities Payment Obligations in accordance with the terms of the State Aid Trust Agreement, and (ii) prior to making any such change, the District will obtain an opinion of nationally recognized bond counsel to the effect that such modification will not result in the loss of the exclusion of interest on any Bonds that was excludable immediately prior to such modification.

Moneys on Deposit with the Depository Bank in the State Aid Depository Fund. The Depository Bank shall hold all moneys deposited in the State Aid Depository Fund in trust for the benefit of the District and the City, and shall withdraw such moneys as provided in the State Aid Trust Agreement

Investment of State Aid Depository Fund. Pending the withdrawals provided for in the State Aid Trust Agreement, moneys in the State Aid Depository Fund shall be invested in Investment Securities maturing at such times and in such amounts as shall provide available moneys to make such withdrawals and payments from the State Aid Depository Fund when required. Such investments shall be made for and on behalf of the District by the Depository Bank upon written instructions from the Chief Financial Officer or his authorized designee.

Moneys Held in Trust. All moneys held by the Depository Bank, as such, at any time pursuant to the terms of the State Aid Trust Agreement shall be and hereby are assigned, transferred and set over unto such Depository Bank in trust for the purposes and under the terms and conditions of the State Aid Trust Agreement.

Regulations Regarding Investment of Fund. Investment Securities purchased as an investment of moneys in the State Aid Depository Fund established under the State Aid Trust Agreement shall be deemed at all times to be a part of the State Aid Depository Fund, and the interest thereon and any profit arising on the sale thereof shall be credited to the State Aid Depository Fund, and any loss resulting on the sale thereof shall be charged to the State Aid Depository Fund. In computing the amount in the State Aid Depository Fund for any purpose hereunder, such Investment Securities shall be valued at the lower of cost or market price thereof, exclusive of accrued interest, such valuation to be completed by a valuation service selected by the Agency or the District. In the event such valuation is required, the Depository Bank shall notify the Agency and the District in writing.

Indemnification. The City and the District will, jointly and severally, indemnify and hold harmless the Series Trustee, the Depository Bank, each Paying Agent and their respective employees, officers, directors and representative (each, an “Indemnified Party”) against any and all losses, liabilities or expenses incurred by such Indemnified Party arising out of or in connection with the acceptance or administration of such Indemnified Party’s duties under the State Aid Trust Agreement, the Indenture or any Security Document, including the costs and expenses of enforcing the State Aid Trust Agreement, the Indenture or the Security Documents against the District or City and defending itself against any claim (whether asserted by the District, the City, an owner of bonds or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder or thereunder, except to the extent any such loss, liability or expense may be attributable to the Indemnified Person’s own negligence or willful misconduct (as determined by a court of competent jurisdiction). The obligations of the District and the City under this paragraph will survive the termination of the State Aid Trust Agreement.

## APPENDIX F

### FORM OF BOND COUNSEL OPINION FOR THE SERIES 2020 BONDS

*Upon delivery of the Series 2020 Bonds, Bond Counsel to the Issuer proposes to issue its approving opinion in substantially the following form:*

May \_\_\_, 2020

County of Monroe Industrial  
Development Agency  
City Place  
50 West Main Street, Suite 1150  
Rochester, New York 14614

Re: \$ \_\_\_\_\_ County of Monroe Industrial Development Agency  
School Facility Revenue Bonds (Rochester Schools Modernization Project),  
Series 2020

We have acted as Bond Counsel to the County of Monroe Industrial Development Agency (the “Agency”) in connection with the issuance on the date hereof of the Agency’s School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2020 in the aggregate principal amount of \$ \_\_\_\_\_ (the “Bonds”), pursuant to (i) Title I of Article 18-A of the General Municipal Law of the State of New York (the “State”), enacted into law as Chapter 1030 of the Laws of 1969 of the State, as amended (the “Enabling Act”) and Chapter 55 of the Laws of 1972 of the State, as amended (together with the Enabling Act, the “IDA Act”); (ii) Chapter 416 of the Laws of 2007 of the State, as amended by Chapter 533 of the Laws of 2014 (the “Rochester Schools Act”); (iii) resolutions of the Agency adopted on December 6, 2016 and March 17, 2020 authorizing the Bonds; (iv) an Indenture of Trust, dated as of June 1, 2012, and amended and restated as of February 1, 2015 (the “Amended and Restated Indenture”), between the Agency and U.S. Bank National Association, as trustee (the “Trustee”); and (v) the Fifth Supplemental Indenture of Trust, dated as of May 1, 2020 (the “Fifth Supplemental Indenture” and, together with the Amended and Restated Indenture, the “Indenture”), between the Agency and the Trustee. Terms not defined herein are used as defined in the Indenture.

The Bonds are dated, bear interest, mature, and are subject to redemption as set forth therein. The Bonds are limited obligations of the Agency and are secured as set forth in the Indenture.

The Bonds are being issued by the Agency, at the request of the Rochester Joint Schools Construction Board (“RJSCB”), on behalf of and for the benefit of the City of Rochester (the “City”) and the Rochester City School District (the “District”), to (i) finance the Series 2020 Project affecting a portion of thirteen existing school building sites (the “Facilities”), (ii) fund capitalized interest of the Bonds, and (iii) finance certain costs of issuance of the Bonds.

The District, the City, U.S. Bank National Association, acting as depository bank (the “Depository Bank”), and the Trustee have entered into a certain State Aid Trust Agreement, dated as of June 1, 2012 and as amended and restated as of August 1, 2017 (the “State Aid Trust Agreement”), pursuant to and with respect to which each of the Director of Finance of the City and the President of the Board of Education of the District have directed the State Comptroller to pay all State building and operating aid appropriated by the State for the District (the “State Aid Revenues”) to the State Aid

Depository Fund established with and held by the Depository Bank pursuant to the State Aid Trust Agreement.

The City and the District have leased their respective interests in the Facilities to the Agency pursuant to a certain Ground Lease, dated as of June 1, 2012, and as amended and restated as of May 1, 2020 (the “Ground Lease”), between the City and the District, as lessors, and the Agency, as lessee. The Agency has subleased its leasehold interest under the Ground Lease to the District and the City, and leased its interest in any property financed with the proceeds of the Bonds to the District and the City, all pursuant to the Sublease Agreement, dated as of June 1, 2012 and amended and restated as of May 1, 2020 (the “Sublease Agreement”), between the Agency, as sublessor, and the City and the District, as sublessees. Pursuant to the Sublease Agreement, the District has agreed to pay, under the conditions and from the sources described therein, scheduled Sublease Payments in amounts necessary to pay principal of and interest on the Bonds.

Pursuant to the Indenture, the Agency has assigned to the Trustee substantially all of the Agency’s right, title and interest in, to and under the Sublease Agreement, including the foregoing Sublease Payments to be made by the District.

It is provided in the Indenture that, upon satisfying certain conditions, the Agency may issue one or more series of additional bonds (the “Additional Bonds”) from time to time on the terms and conditions and for the purposes stated in the Indenture, and the Additional Bonds, if issued, will be equally and ratably secured under the Indenture with the Bonds. The Indenture further provides that the Sublease Payments required to be paid under the Sublease Agreement shall be recalculated so as to provide money for the full and timely payment of the principal of and interest on the Bonds and any such series of Additional Bonds.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents, and such other materials and such matters of law, as we have deemed necessary or appropriate for the purposes of the opinions rendered below.

We have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Agency, the City and the District with the provisions of the Indenture (and the Tax Certificate referred to therein), the Ground Lease and the Sublease Agreement affecting the status of the interest on the Bonds under section 103 of the Internal Revenue Code of 1986 (the “Code”). We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

We are relying upon the opinion of Harris Beach PLLC, counsel to the Agency, to the effect that the Agency is a corporate governmental agency constituting a public benefit corporation duly established and validly existing under the laws of the State, including the IDA Act.

Based upon the foregoing, we are of the opinion that:

(1) The Agency is duly established and validly existing under the IDA Act and has the authority to enter into and perform its obligations under the Indenture, the Ground Lease and the Sublease Agreement, and to issue the Bonds.

(2) The Series 2020 Project constitutes a “project” under and as defined in the IDA Act and the Rochester Schools Act.

(3) The Indenture, the Ground Lease and the Sublease Agreement have been duly authorized, executed and delivered by the Agency, and are valid and binding obligations of the Agency, enforceable in accordance with their terms (assuming the due authorization, execution and delivery by the other parties thereto), except to the extent that the enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.

(4) The Bonds have been duly authorized, executed and delivered and are valid and binding special limited obligations of the Agency and enforceable against the Agency in accordance with their terms, except to the extent that the enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.

(5) Under existing law, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Agency, the City and the District with the provisions of the Indenture (and with the Tax Certificate referred to therein), the Ground Lease and the Sublease Agreement affecting the status of the interest on the Bonds under section 103 of the Code, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof.

(6) Under existing law, interest on the Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We wish to advise you that:

(1) The enforceability against the Agency of the Bonds, the Indenture, the Sublease Agreement, and the Ground Lease may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity.

(2) Equitable remedies lie in the discretion of a court and may not be available.

(3) Certain requirements and procedures contained or referred to in the Indenture and certain other documents delivered in connection with the issuance of the Bonds may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. We express no opinion as to any federal, state or local tax consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

We express no opinion with respect to any other Federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral Federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement

Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

We express no opinion as to matters relating to the rights in, title to or sufficiency of any property or collateral described in the Ground Lease, the Sublease Agreement or the Indenture. We have relied upon the opinion of Corporation Counsel for the City, dated the date hereof, to the effect that the City is vested with good and marketable fee simple title to each of the Facilities. In addition, we have relied on the opinion of Woods Oviatt Gilman LLP, as counsel to the City, dated the date hereof, that the Agency's leasehold interest in the Facilities under the Ground Lease is valid.

We have assumed the due recording of each of the Ground Lease, the Sublease Agreement and the Indenture, or memorandums thereof, and the due filing and sufficiency of financing statements under the State Uniform Commercial Code.

We express no opinion as to the necessity for obtaining any licenses, permits or other approvals relating to the design, acquisition, construction, reconstruction, rehabilitation, equipping of the Facilities or the operation of any of the Facilities, or the application or effect of any environmental laws, ordinances, rules, regulations or other requirements of any governmental authority with respect to any of the Facilities or the transactions contemplated under the Indenture.

We undertake no responsibility herein for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express no opinion herein relating thereto.

We have examined the executed Bonds in fully registered form numbers AR-\_\_ through AR-\_\_ and, in our opinion, the forms of the Bonds and the execution thereof are regular and proper.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours,

**APPENDIX G**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is entered into as of May 1, 2020 by and between the Rochester City School District (the “School District”) and U.S. Bank National Association, as Trustee (the “Trustee”) in connection with the issuance by the County of Monroe Industrial Development Agency (the “Agency”) of \$ \_\_\_\_\_ aggregate principal amount of its School Facility Revenue Bonds (Rochester Schools Modernization Project), Series 2020 (the “Series 2020 Bonds”).

The Series 2020 Bonds are being issued under the IDA Act (as defined in the Indenture referred to below) by the Agency pursuant to an Amended and Restated Indenture of Trust dated as of February 1, 2015 (the “Indenture”) between the Issuer and the Trustee. Proceeds of the Series 2020 Bonds are being used to (i) finance the costs of the Series 2020 Project (as defined in the Indenture); (ii) fund capitalized interest for the Series 2020 Project; and (iii) finance certain costs of issuance of the Series 2020 Bonds in accordance with Chapter 416 of the Laws of 2007, as amended by Chapter 533 of the Laws of 2014 of the State of New York (collectively, the “Rochester Schools Act”).

In order to permit the Underwriters of the Series 2020 Bonds to comply with the provisions of Rule 15c2-12 of the Securities Exchange Act of 1934 in connection with the public offering of the Series 2020 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the School District for the benefit of Bondholders and Beneficial Owners (as defined below) of the Series 2020 Bonds and in order to assist the Underwriters in complying with the Rule (as defined below). The School District acknowledges that none of the Agency, the Trustee, the City of Rochester or the County of Monroe has undertaken responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and that none of the Agency, the Trustee, the City of Rochester, or the County of Monroe has liability to any person, including any Bondholder or Beneficial Owner, concerning the Rule.

**SECTION 2. Definitions.** Capitalized terms used but not defined in this Disclosure Agreement shall have the meanings ascribed to them in the Indenture.

“Annual Report” shall mean any annual report and related annual information to be provided by the School District pursuant to Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined below. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 10 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Superintendent of the School District or his or her designee, or such other person as the School District shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the School District and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Financial Obligation” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of an obligation or instrument described in either clause (a) or (b). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the period of twelve months beginning July 1 of each year and ending on June 30 of the same year, or any other twelve month period adopted by the School District as its fiscal year for accounting purposes.

“Listed Events” shall mean any of the events listed in Subsection 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as such Rule may be amended from time to time.

“State” shall mean the State of New York.

“SEC” shall mean the U.S. Securities and Exchange Commission.

“Underwriters” shall mean collectively, Citigroup Global Markets Inc., on its own behalf and as Representative of the other Underwriters set forth on Schedule I attached hereto, as the original underwriters of the Series 2020 Bonds required to comply with the Rule in connection with the offering of the Series 2020 Bonds.

### SECTION 3. Obligations to Provide Continuing Disclosure.

(a) On an annual basis, no later than 360 days after the end of each respective Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, the School District shall provide, or shall cause the Dissemination Agent to provide, to the Repository, an Annual Report which is consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4(ii) hereof. If the Fiscal Year changes, the School District shall give notice of such change in the same manner as required for a Listed Event. The School District shall provide sufficient copies of the Annual Reports to facilitate the Dissemination Agent’s carrying out its duties, as set forth under this Disclosure Agreement.

(b) If the Dissemination Agent has not received on or before the last business day of a Fiscal Year, an Annual Report from the School District for the preceding Fiscal Year, and the Dissemination Agent has not received written notice that the Annual Report has been provided to the

Repository, the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the School District.

SECTION 4. Content of Annual Report. The School District's Annual Report shall contain or include by reference the following core financial information and operating data:

(i) Specified Information.

(a) The audited financial statements of the School District for the most recently ended Fiscal Year prepared in accordance with generally accepted accounting principles consistently applied, as promulgated from time to time by the Financial Accounting Standards Board. If the School District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available; and

(b) Material historical quantitative data, including, but not limited to, information on State Aid to be received by the School District and all statutory intercepts applicable to the School District, not otherwise described in the Final Official Statement dated May \_\_, 2020 ("Final Official Statement"), as well as any other revenues, expenditures, financial operations and indebtedness with respect to the Series 2020 Bonds generally of the type discussed in the sections and subsections of the Final Official Statement entitled "PROGRAM PARTICIPANTS—The Rochester CSD and Board of Education" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid"; and

(c) A report consolidating the information required from the School District under subsection 4(i)(a) above.

(ii) Cross-Reference. All or any portion of the Annual Report may be incorporated in the Annual Report by cross-reference to any other documents which were and are being filed under the Rule with the Repository, through and in accordance with EMMA. The audited or unaudited financial statements of the School District may be provided in the same manner.

(iii) Information Categories. The requirements contained in this Disclosure Agreement under Section 4(i)(b) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 4(i)(b) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

SECTION 5. Reporting of Listed Events.

(a) The School District shall provide or shall cause the Dissemination Agent to provide in a timely manner (not in excess of ten business days after the occurrence of the following significant events) to the Repository, written notice of any of the following significant events with respect to the Series 2020 Bonds ("Listed Events"):

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service (“IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2020 Bonds or events affecting the tax status of the Series 2020 Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2020 Bonds, if material;
11. Rating changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar proceeding of the School District or the Agency<sup>1</sup>;
14. The consummation of a merger, consolidation, or acquisition involving the School District or the Agency or the sale of all or substantially all of the assets of the School District or the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material;

---

<sup>1</sup> For the purposes of the event identified in clause (a)(13), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

16. Incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect Bondholders, if material;
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties; and
18. Failure of the School District to comply with the requirements of Sections 3 and 4 of this Disclosure Agreement.

(b) Certain of the seven Listed Events subject to a materiality standard may not be applicable. Whenever the School District obtains knowledge of the occurrence of such a Listed Event, the School District shall as soon as possible determine if such event would constitute material information for Bondholders of the Series 2020 Bonds.

(c) The School District shall provide or shall cause the Dissemination Agent to provide in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the School District to comply with Sections 3, 4 and/or 5 hereof.

(d) Notwithstanding the preceding, neither the School District nor the Dissemination Agent will undertake to provide any of the following:

1. Notice with respect to (i) credit enhancement if (A) the credit enhancement is added after the primary offering of the Series 2020 Bonds, (B) the School District does not apply for or participate in obtaining the enhancement, and (C) the School District does not apply for or participate in obtaining the enhancement and the enhancement is not described in the Final Official Statement, or (ii) tax exemption other than pursuant to Section 103 of the Code;

2. The event notice, as described in Section 5(a)(8) above, with regard to a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Indenture, (ii) the only open issue is which Series 2020 Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Series 2020 Bonds, and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases; and

3. Updates or revisions to any forward-looking statements contained in the Final Official Statement, including, but not limited to, those that include the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes," "structured," "targets" or analogous expressions.

**SECTION 6. Termination of Reporting Obligation.** The School District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2020 Bonds.

**SECTION 7. Dissemination Agent.** The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School District pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. For so long as the Trustee shall be the Dissemination Agent, the School District shall pay the Dissemination Agent an annual fee of \$[\_\_\_\_\_] upon the execution of this Disclosure Agreement and on each anniversary thereof.

**SECTION 8. Amendments.** An amendment to the requirements set forth in this Disclosure Agreement (the “Requirements”) may only take effect if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the School District, or type of business conducted; the Requirements, as amended, would have complied with the requirements of the Rule at the time of sale of the Series 2020 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders and/or Beneficial Owners, as determined by parties unaffiliated with the School District (such as, but without limitation, the School District’s financial advisor or transaction counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the “impact” (as that word is used in the letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) All or any part of the Rule, as interpreted by the staff of the SEC at the date of the Series 2020 Bonds, ceases to be in effect for any reason, and the School District elects that the Requirements shall be deemed terminated or amended (as the case may be) accordingly.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the School District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default; Venue.** No Bondholder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Requirements (the “Undertaking”) or for any remedy for breach thereof, unless such Bondholder shall have filed with the School District evidence of ownership and a written notice of and request to cure such breach, and the School District shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified herein, in any federal or state court located in the State and for the equal benefit of all holders of the outstanding Series 2020 Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

**SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall

have only such duties as are specifically set forth in this Disclosure Agreement, and the School District agrees to release the Dissemination Agent and the Trustee from any claim arising out of the discharge of any duties hereunder and to defend, indemnify and save the Trustee and the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee and the Dissemination Agent's negligence or willful misconduct. The obligations of School District under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2020 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the School District:

Rochester City School District  
131 W. Broad Street  
Rochester, New York 14614  
Attention: Chief Financial Officer  
Tel: (585) 262-8436  
Fax: (585) 295-2606

To the Trustee:

U.S. Bank National Association  
100 Wall Street, 16<sup>th</sup> Floor  
New York, New York 10005  
Attention: US Bank, Global Corporate Trust Services, New York  
Tel: (212) 951-6990  
Fax: (212) 361-6153

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Governing Law. THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW. TO THE EXTENT THIS DISCLOSURE AGREEMENT ADDRESSES MATTERS OF FEDERAL SECURITIES LAW, THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

ROCHESTER CITY SCHOOL DISTRICT

By: \_\_\_\_\_  
Name:  
Title: President, Board of Education

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

By: \_\_\_\_\_  
Authorized Officer

## SCHEDULE I

Citigroup Global Markets Inc.  
Loop Capital Markets LLC  
Siebert Williams Shank & Co., L.L.C.

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Monroe Industrial Development Agency

Name of Bond Issue: \$ \_\_\_\_\_ School Facility Revenue Bonds  
(Rochester Schools Modernization Project), Series 2020

Date of Issuance: May \_\_\_, 2020

NOTICE IS HEREBY GIVEN that Rochester City School District (the "School District") has not provided an Annual Report with respect to the above-named Series 2020 Bonds as required by the Continuing Disclosure Agreement, dated as of May 1, 2020 between the School District and U.S. Bank National Association, as trustee. [The \_\_\_\_\_ anticipates that an Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_





Printed by: ImageMaster, LLC  
[www.imagemaster.com](http://www.imagemaster.com)