



*City of Rochester, Minnesota*

*Comprehensive Annual  
Financial Report*

*For the Year Ended  
December 31, 2015*



Cover photo: Deana Carr, Civic Music Employee

**CITY OF ROCHESTER, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

DEPARTMENT OF FINANCE

DALE R. MARTINSON, Director of Finance

CARY E. McNALLAN, Assistant Finance Director

JOY C. HARRIS, Senior Financial Analyst

Members of the Government Finance Officers Association  
of the United States and Canada

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**CITY OF ROCHESTER, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2015**

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**CITY OF ROCHESTER, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2015**

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**CITY OF ROCHESTER, MINNESOTA**  
**INTRODUCTORY SECTION**  
**DECEMBER 31, 2015**

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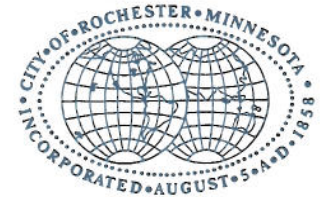




# ROCHESTER

*Minnesota*

FIRST CLASS CITY • FIRST CLASS SERVICE



FINANCE DEPARTMENT  
201 4th Street SE, Room 204  
Rochester, MN 55904-3779  
(507) 328-2850  
FAX (507) 328-2876

June 20, 2016

To the Honorable Mayor, Members of the Common Council, and the Citizens of the City of Rochester:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Rochester for the fiscal year ended December 31, 2015.

This report consists of management's representations concerning the finances of the City of Rochester. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Rochester has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Rochester's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Rochester's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Rochester's financial statements, with the exception of the electric and water funds and the Destination Medical Center Corporation (DMCC), a discretely presented component unit, have been audited by Smith, Schafer and Associates, Ltd., a firm of licensed certified public accountants. The electric and water funds have been audited by Baker Tilly, Ltd. The DMCC has been audited by CliftonLarsonAllen, LLP. These funds and component unit are included in this comprehensive report. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rochester for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Smith Schafer and Associates concluded, based upon their audit, and relying on the audits of Baker Tilly and CliftonLarsonAllen, that there was a reasonable basis for rendering an unmodified opinion that the City of Rochester's financial statements for the fiscal year ended December 31, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Rochester was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Rochester's separately issued Single Audit Report.

## **CITY OF ROCHESTER, MINNESOTA**

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Rochester's MD&A can be found immediately following the report of the independent auditors.

### **PROFILE OF THE GOVERNMENT**

The City of Rochester, incorporated on August 5, 1858, is located in the southeastern part of the State of Minnesota, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City currently has a land area of nearly 55.19 square miles and serves a population of 111,850. The City of Rochester is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City of Rochester is governed under a charter adopted August 22, 1904. Policy-making and legislative authority are vested in a governing council consisting of the mayor, the council president and six council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City's administrator and attorney. The City's administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members, the president and mayor all serve four-year staggered terms, with four of these positions elected every two years. Six of the council members are elected by ward. The mayor and council president are elected at large.

The City has a discretely presented component unit, the DMCC. The Corporation was established to benefit the City, and more broadly, Olmsted County and the State of Minnesota by researching, preparing, and implementing a master development plan, including facilitating public infrastructure projects and a variety of development and redevelopment projects, all to promote and provide for the establishment of the City, the County, and the State as a world destination medical center. Separate financial statements are issued by the DMCC.

The City of Rochester provides a full range of services including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities, library and cultural events; water, sewer, electric, storm water management, public parking, mass transit and airport services.

The annual budget serves as the foundation for the City of Rochester's financial planning and control. All departments and agencies of the City of Rochester submit requests for appropriation to the city administrator in August of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then provides this proposed budget to the council for review prior to November. Work sessions are then held with the council covering each department budget. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Rochester's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Any changes to the budget at the functional level (e.g. General Government, Public Safety, Public Works, etc.) must be by formal resolution of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 25-26 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 89.

## CITY OF ROCHESTER, MINNESOTA

### FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Rochester operates.

**Local economy.** The third largest City in Minnesota, Rochester is located 78 miles southeast of Minneapolis and St. Paul. Rochester's strong economy is built around world-renowned health care, cutting-edge technology, agriculture and agribusiness. As home to the Mayo Clinic and IBM Rochester, the City has developed into an economic growth center and the cultural hub of southeastern Minnesota. Its many recreational and cultural activities draw people from southeastern Minnesota and northern Iowa. Add these benefits to a low crime rate and an exceptional school system and it is easy to see why Rochester continues to rank as one of the top places to live.

Recent indicators of Rochester's economic climate include:

- **Jobs.** Total Nonagricultural wage and salary employment for the Rochester Metropolitan Statistical Area (MSA) grew over the last year at a rate of 1.7 percent. The gain of 1,900 jobs brought the total employment figure up to 116,626 from last year's December level of 114,726. Through the first quarter of 2016, the total employment dropped to 115,528 for a loss of 1,098 jobs. However, this is still an increase of 802 jobs from last year's December level.
- **Unemployment.** The Rochester MSA unemployment rate dropped by .2 percent from a year ago, ending first quarter of 2016 at 3.9 percent. The rates for January and February were both 3.9 percent. The Rochester average remains below the state and U.S. averages of 4.6 and 5.1 percent respectively.
- **Home Sales.** First quarter 2016 single family homes sales in Rochester were \$76,057,613. This represents a decrease of 19.3 percent over first quarter 2015, an increase of 19.9 percent over 2014, 15.7 percent over 2013, and 37 percent over 2012.

The average home in Rochester sold for \$208,377 during the first quarter of 2016, and the median sale price was \$169,900. There were 365 units sold during the first quarter and the average time on the market was 100 days. (source: SE Minnesota Association of Realtors)

- **Building Activity.** Commercial and residential building permits issued for 2015 totaled \$484,095,237. Permit totals were up 21.7 percent from a year ago, 47 percent over 2013, 47.1 percent over 2012 and 135.5 percent over 2011. This growth continued during the first quarter of 2016 with permits for just this quarter totaling \$120,241,049. This represents increases of 35.3 percent over first quarter 2015, and 52.6 percent over the same quarter of 2014.
- **City Sales Tax.** Net sales tax collections by the City through its 0.5% local option sales and use tax during 2015 totaled \$11.6 million, up 6 percent from 2014 collections of \$10.8 million.
- **City Lodging Tax.** Lodging tax collections by the City during 2015 totaled \$8.6 million, up 9% from 2014 collections of \$7.8 million.

## CITY OF ROCHESTER, MINNESOTA

**Long-term financial planning.** The Rochester council is directing City staff on numerous projects that will affect the growth of the City. A partial list includes:

- Destination Medical Center (DMC). By April 23, 2015, both the City Council and the Destination Medical Center Board had formally adopted the DMC Development Plan, a comprehensive framework for the 20-year project that will redefine downtown Rochester. The plan is similar to a strategic business plan that addresses land use, transportation, infrastructure, business development, marketing and operational strategies over the 20 year period. The State legislature approved final language amendments in early 2015 to the 2014 law, a \$6 billion economic development initiative to secure Minnesota's status as a global medical destination center now and in the future. This legislation secured State, City and County funding of \$585 million to help construct the significant public infrastructure needed to support this growth.
- University of Minnesota Rochester (UMR). The University of Minnesota continues to develop its targeted health sciences campus in Rochester's downtown area. Additional land compilation and clearing occurred in 2014 in further preparation for the campus expansion near Rochester's downtown Soldiers Field Golf Course. UMR's stated long-term plan is for a 5,000-student campus in Rochester's downtown area, building off synergies with the Mayo Clinic and IBM.
- Sales Tax Projects. Projects authorized under the 2011 local option sales tax extension were all under construction during 2015. The relocation/expansion of Fire Station 2 was completed by the end of second quarter of 2015 and the expansion of the City's Recreation Center and construction of an adjacent new Senior Center are due for completion by the end of 2016. Road construction projects by both the City and the County as authorized under this funding source were also underway and the construction of the University Center Rochester's CTECH facility and stadium expansion were nearing completion by the end of the first quarter of 2016.
- Mayo Civic Center Expansion. Construction of the Mayo Civic Center expansion project was in full swing during 2015. The total \$84 million project is funded by \$35 million in State bonding monies and \$49 million in City funds raised through an additional 3% lodging tax within the City. The expansion will nearly double the size of the facility, adding 188,000 square feet, 1,000 jobs in the near term and an estimated \$370 million to the Rochester area economy over the next 10 years. The new space was over 75% enclosed by the first quarter of 2016 and on schedule for opening in early 2017 with renovations of existing space to be complete by the fall of 2017.

## CITY OF ROCHESTER, MINNESOTA

### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This was the forty-fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. We first express our appreciation to all members of the Finance department who assisted and contributed in preparing the report. We also thank the staff of Smith, Schafer and Associates, Ltd. for their assistance and review of the document. And finally, we acknowledge the Mayor and the members of the Common Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Dale R. Martinson  
Director of Finance



Stevan E. Kvenvold  
City Administrator



Government Finance Officers Association

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Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Rochester  
Minnesota**

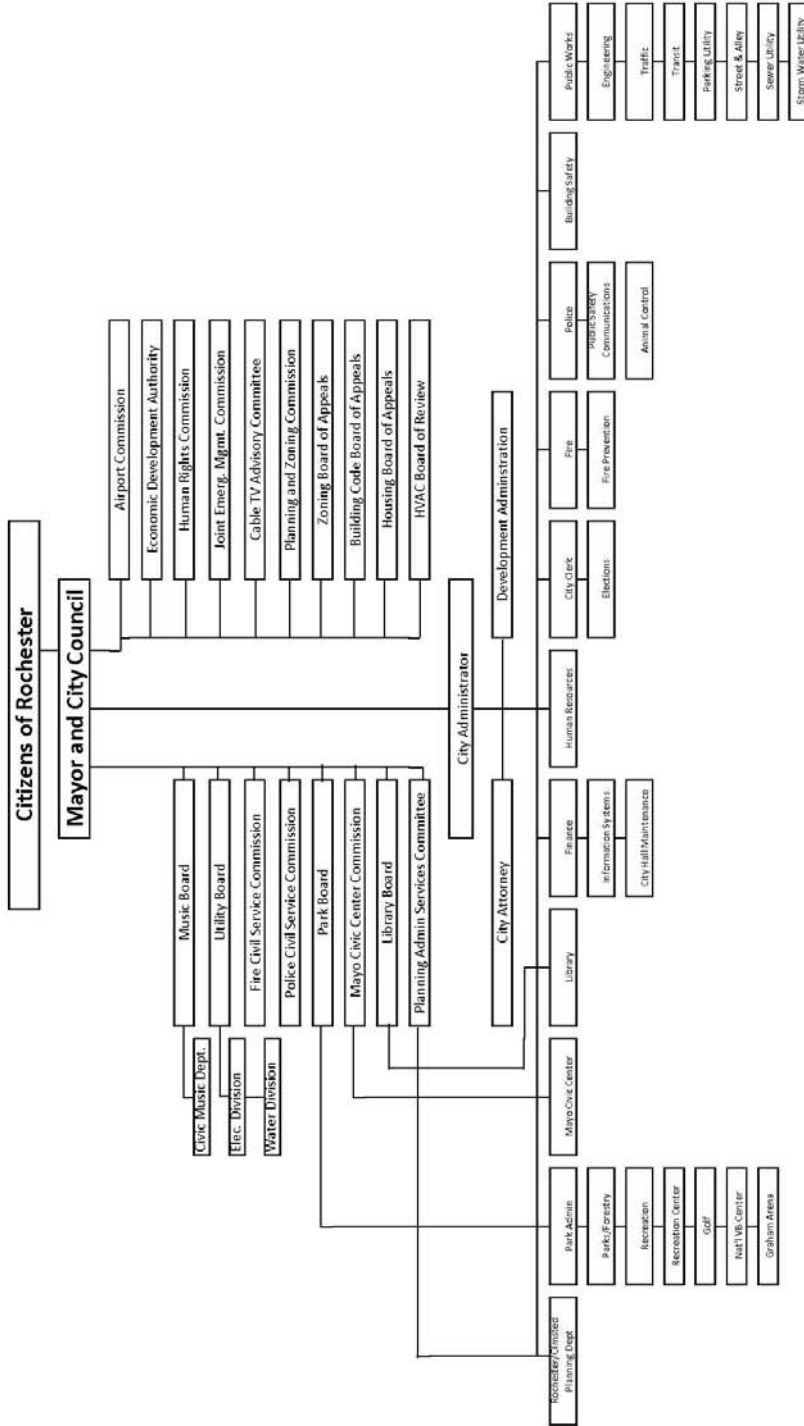
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO



# CITY OF ROCHESTER, MINNESOTA ORGANIZATIONAL CHART



**CITY OF ROCHESTER, MINNESOTA  
LIST OF ELECTED AND APPOINTED OFFICIALS**

**MAYOR - COUNCIL**

	Initial Term <u>Commenced</u>	Current Term Expires <u>December 31</u>
Mayor, Ardell F. Brede	2003	2018
Council President, Randy Staver	2013	2016
Councilmember First Ward, Ed Hruska	2007	2018
Councilmember Second Ward, Michael Wojcik	2009	2016
Councilmember Third Ward, Nick Campion	2015	2018
Councilmember Fourth Ward, Mark Bilderback	2009	2016
Councilmember Fifth Ward, Mark Hickey	2014	2018
Councilmember Sixth Ward, Sandra Means	2003	2016

**CITY ADMINISTRATOR**

Stevan E. Kvenvold

**DIRECTOR OF FINANCE – TREASURER**

Dale R. Martinson

**OTHER CITY OFFICIALS**

City Attorney - Terry L. Adkins  
City Clerk - Aaron S. Reeves  
Director of Public Works - Richard W. Freese  
Director of Building Safety - Randy S. Johnson  
Chief of Police - Roger L. Peterson  
Fire Chief - Greg K. Martin  
Director of Human Resources - Linda K. Hillenbrand  
Director Library Services - Audrey S. Betcher  
Superintendent of Parks and Recreation - Paul D. Widman  
Director of Mayo Civic Center - Donna M. Drews  
General Manager - Music, Steven J. Schmidt  
General Manager - Public Utilities, Mark R. Kotschevar  
Superintendent of Water Reclamation Plant - Chester S. Welle

**CITY OF ROCHESTER, MINNESOTA**  
**FINANCIAL SECTION**  
**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
City of Rochester, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Destination Medical Center Corporation (DMCC) (a discretely presented component unit).

### 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 the 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 did not audit the financial statements of the electric and water enterprise funds, both of which are major enterprise funds, which represent 51 percent, 51 percent, and 79 percent, respectively, of the total assets and deferred outflows of resources, net position, and revenues of the business-type activities, or the DMCC (a discretely presented component unit). Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the electric and water enterprise funds and the DMCC, is based solely on the report of the other auditors. 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 entity'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 entity'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.

Honorable Mayor and Members  
of the City Council  
**City of Rochester, Minnesota**  
Page Two

### **Auditor's Responsibility (continued)**

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 17, and 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 City of Rochester, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Honorable Mayor and Members  
of the City Council  
**City of Rochester, Minnesota**  
Page Three

**Other Matters (continued)**

*Other Information (continued)*

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rochester, Minnesota's internal control over financial reporting and compliance.

*Smith, Schepke and Associates, Ltd.*

Rochester, Minnesota  
June 20, 2016

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**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Rochester, Minnesota, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended December 31, 2015, with comparative data for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, found on pages i - v of this report.

**New Accounting Pronouncement.** The City implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*, for the year ended December 31, 2015. These Statements establish accounting and financial reporting standards by local governments for pensions.

As required by these new standards, the City recorded its proportionate share of the net pension liability of the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) statewide cost-sharing defined benefit plans administered by PERA. The restatement to record the City's share of the net pension liability resulted in a decrease in beginning net position of \$40,704,168 (Governmental Activities) and \$15,117,006 (Business-Type Activities).

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$1,144,065,976 (*net position*). Of this amount, \$185,067,943 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$24,356,878 excluding the restatement of net position from the implementation of GASB 68 - *Accounting and Financial Reporting for Pensions*.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$177,709,618, an increase of \$48,111,139 in comparison with the prior year. Approximately 17 percent of this total amount, or \$30,543,618, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$31,236,309 or approximately 46 percent of total general fund expenditures. This is slightly above the City's target of 42 percent of expenditures.
- The City of Rochester increased total outstanding long term debt obligations by \$11,855,181 during the current fiscal year.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Rochester's basic financial statements. The City of Rochester's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Additional explanation of these sections of the financial statements follows.

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

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

The *statement of activities* presents information showing how the City'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 the 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. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Rochester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Rochester include general government, public safety, public works, airport, transit, culture, park and recreation/Mayo Civic Center, economic development/tourism, and community reinvestment. The business-type activities of the City of Rochester include parking, electric utility, water utility, sewer utility, and the storm water utility. The electric and water utilities, comprising the Rochester Public Utilities (RPU), are under the direction of the Board of Public Utilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate entity (DMCC) for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The DMCC issues separate financial statements.

The government-wide financial statements can be found on pages 18-20 of this report.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

The City of Rochester maintains eighteen 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 and the construction improvement capital projects fund, both of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided with the *combining statements* on pages 89-99 of this report.

The City of Rochester adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 25-26) and the special revenue funds (pages 93-99) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

**Component Unit.** The City has determined that the Destination Medical Center Corporation, established by the City under authority of Minnesota Statute, meets the criteria to be a discretely-presented component unit of the City and therefore reflects this organization's financial activities in a separate column of the government-wide financial statements of the City.

## CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

**Proprietary funds.** The City of Rochester maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Rochester uses enterprise funds to account for its parking, electric, water, sewer, and storm water utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Rochester's various functions. The City of Rochester uses internal service funds to account for its fleet of vehicles, its risk management program, and for its management information systems. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the parking, electric, water, sewer and storm water utilities, all of which are considered to be major funds of the City of Rochester. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-34 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 35-83 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds, individual nonmajor fund information, and internal service funds can be found on pages 89-104 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rochester, assets exceeded liabilities by \$1,144,065,976 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net position (79 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Rochester uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rochester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Rochester's Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 246,299,984	\$ 206,208,411	\$ 173,224,887	\$ 220,075,729	\$ 419,524,871	\$ 426,284,140
Capital assets	670,878,392	622,575,819	538,483,762	526,344,808	1,209,362,154	1,148,920,627
Deferred outflows of resources	9,443,763		4,342,010	1,140,733	13,785,773	1,140,733
Total assets and deferred outflows of resources	<u>926,622,139</u>	<u>828,784,230</u>	<u>716,050,659</u>	<u>747,561,270</u>	<u>1,642,672,798</u>	<u>1,576,345,500</u>
Long-term liabilities outstanding	138,839,187	63,382,028	249,830,628	305,984,917	388,669,815	369,366,945
Other liabilities	66,607,757	13,379,868	30,967,260	17,156,086	97,575,017	30,535,954
Deferred inflows of resources	6,642,606		5,719,384	912,329	12,361,990	912,329
Total liabilities and deferred inflows of resources	<u>212,089,550</u>	<u>76,761,896</u>	<u>286,517,272</u>	<u>324,053,332</u>	<u>498,606,822</u>	<u>400,815,228</u>
Net position:						
Net investment in capital assets	583,012,721	572,584,985	322,172,020	314,444,519	905,184,741	887,029,504
Restricted	52,805,659	43,672,245	1,007,633		53,813,292	43,672,245
Unrestricted	78,714,209	135,765,104	106,353,734	109,063,419	185,067,943	244,828,523
Total net position	<u>\$ 714,532,589</u>	<u>\$ 752,022,334</u>	<u>\$ 429,533,387</u>	<u>\$ 423,507,938</u>	<u>\$ 1,144,065,976</u>	<u>\$ 1,175,530,272</u>

An additional portion of the City of Rochester's net position (4.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$185,067,943) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rochester is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental activities.** After restatement due to GASB 68 for pension liabilities, governmental activities increased the City of Rochester's net position by \$3,214,423. Most of this increase can be attributable to the capital grants and contributions (primarily street contributions, Mayo Civic Center expansion, and transit grants). Additional net position growth resulted from increased program revenues over budget such as building permit revenue as development improved as well as operational savings through the delayed hiring of budgeted positions and unused contingency.

**Business-type activities.** After restatement due to GASB 68 for pension liabilities, business-type activities increased the City of Rochester's net position by \$21,142,455. This increase is due to contributions of assets in the storm water, sewer and water utilities as well as program revenues which exceeded expenses in all business activities.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A condensed version of the Statement of Activities follows:

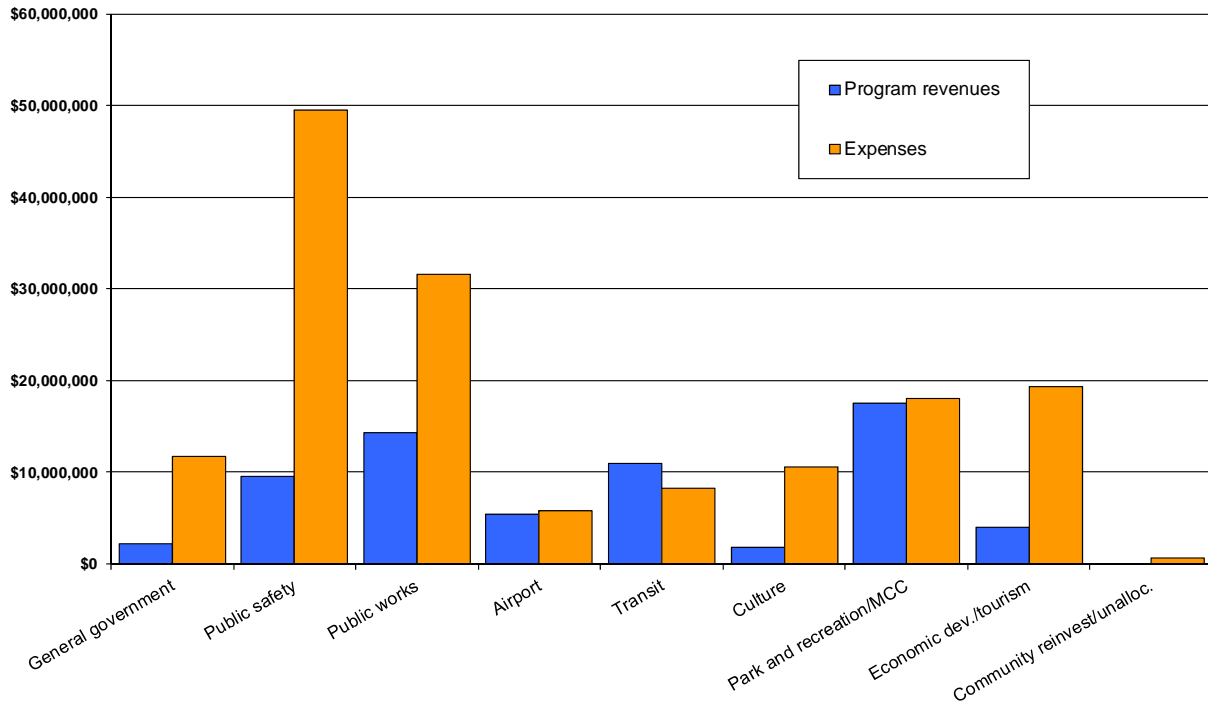
**City of Rochester's Change in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue:						
Program revenues:						
Charges for services	\$ 23,252,895	\$ 22,414,544	\$ 194,912,122	\$ 187,108,600	\$ 218,165,017	\$ 209,523,144
Operating grants and contributions	10,178,769	9,886,803			10,178,769	9,886,803
Capital grants and contributions	32,254,866	24,087,277	2,903,373	5,057,759	35,158,239	29,145,036
General revenues:						
Property taxes	54,064,041	50,057,894			54,064,041	50,057,894
Other taxes	24,155,002	23,092,405			24,155,002	23,092,405
Grants and contributions not restricted to specific programs	7,364,153	8,105,837	9,796	93,471	7,373,949	8,199,308
Other	3,679,116	3,304,497	1,084,372	1,347,693	4,763,488	4,652,190
Total revenues	<u>154,948,842</u>	<u>140,949,257</u>	<u>198,909,663</u>	<u>193,607,523</u>	<u>353,858,505</u>	<u>334,556,780</u>
Expenses:						
General government	11,743,255	8,609,956			11,743,255	8,609,956
Public safety	49,527,459	42,417,692			49,527,459	42,417,692
Public works	31,528,109	41,087,966			31,528,109	41,087,966
Airport	5,736,407	6,259,156			5,736,407	6,259,156
Transit	8,291,571	8,076,205			8,291,571	8,076,205
Culture	10,506,555	9,351,564			10,506,555	9,351,564
Park and recreation/Mayo Civic Center	17,998,905	18,216,344			17,998,905	18,216,344
Economic development/tourism	19,326,705	4,621,378			19,326,705	4,621,378
Community reinvestment/unallocated	592,918	428,930			592,918	428,930
Interest on long-term debt	3,181,305	2,276,231			3,181,305	2,276,231
Parking			4,300,007	4,347,469	4,300,007	4,347,469
Electric			132,233,524	131,936,203	132,233,524	131,936,203
Water			8,674,276	8,753,706	8,674,276	8,753,706
Sewer			22,065,001	23,780,820	22,065,001	23,780,820
Storm water			3,795,630	3,881,151	3,795,630	3,881,151
Total expenses	<u>158,433,189</u>	<u>141,345,422</u>	<u>171,068,438</u>	<u>172,699,349</u>	<u>329,501,627</u>	<u>314,044,771</u>
Increase in net position before transfers	(3,484,347)	(396,165)	27,841,225	20,908,174	24,356,878	20,512,009
Transfers	6,698,770	6,806,405	(6,698,770)	(6,806,405)		
Increase in net position	3,214,423	6,410,240	21,142,455	14,101,769	24,356,878	20,512,009
Net position as restated, beginning (Note 5)	711,318,166	745,612,094	408,390,932	409,406,169	1,119,709,098	1,155,018,263
Net position, end of year	<u>\$ 714,532,589</u>	<u>\$ 752,022,334</u>	<u>\$ 429,533,387</u>	<u>\$ 423,507,938</u>	<u>\$ 1,144,065,976</u>	<u>\$ 1,175,530,272</u>

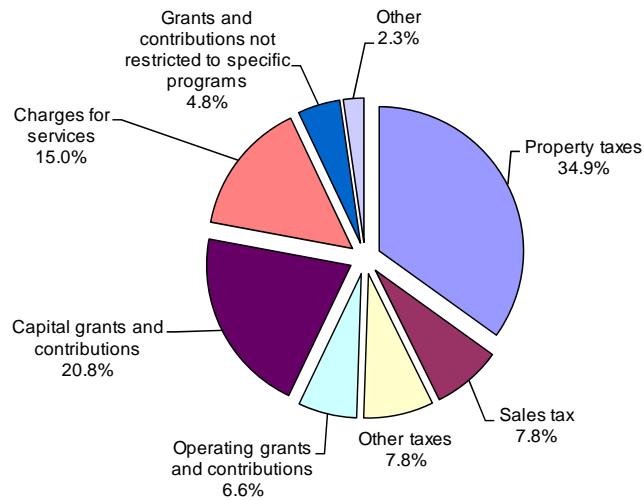
## CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

### Expenses and Program Revenues - Governmental Activities



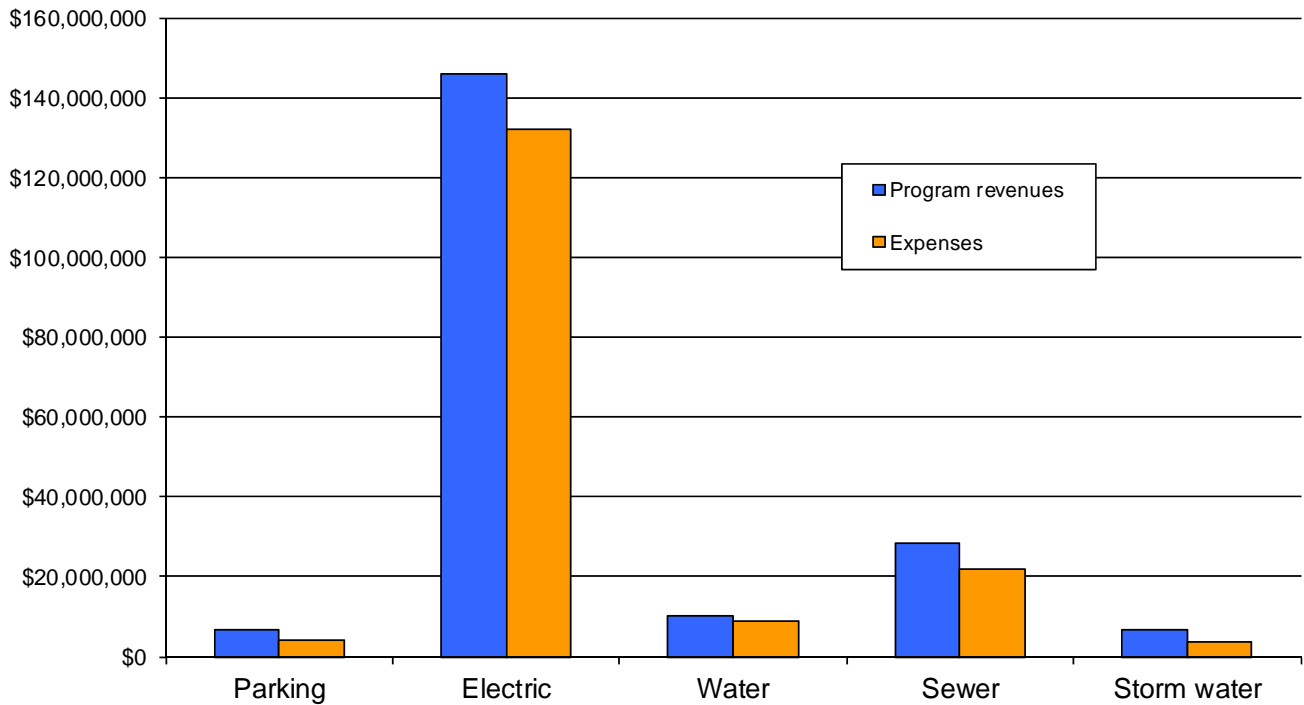
### Revenues by Source - Governmental Activities



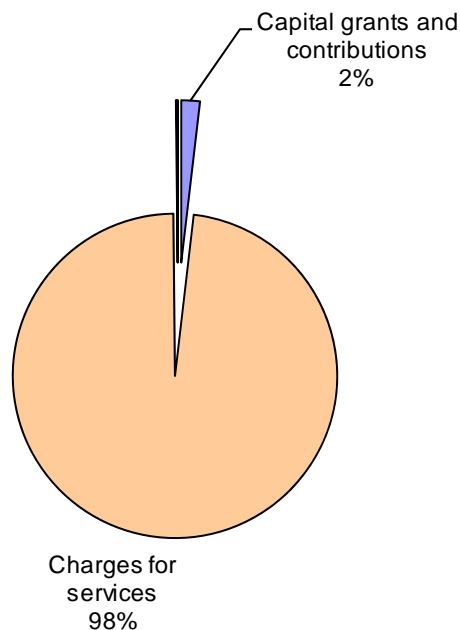
**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all five of these activities require significant physical assets to operate, any excess revenues are held for planned capital improvements to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

**Governmental funds.** The focus of the City of Rochester's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rochester'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.

Fund balances are classified as follows:

Nonspendable – represents the portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – resources that have external constraints placed upon their use.

Committed – resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – amount available for any purpose. However, only the General Fund may report a positive unassigned fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications is found in Note 3 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$177,709,618, an increase of \$48,111,139 from the prior year. The general fund increased fund balance by \$1.4 million, while the construction improvement fund increased fund balance by \$44.9 million, largely due to unspent bond proceeds. Additionally, all other governmental funds reflected a net increase of \$1.8 million in fund balance, largely showing up in the Mayo Civic Center and Transit funds.

Approximately 17 percent of the total fund balance, or \$30,543,618, constitutes unassigned fund balance, which is available for spending at the government's discretion, \$1,397,512 is considered to be nonspendable (prepaid or inventory), \$49,427,956 has been restricted by grantors, donors, debt covenants, or regulation, \$87,499,676 has been committed by council action for CIP projects, and \$8,840,856 represents assigned fund balance, the portion of fund balance that reflects the amounts the City intends to use for a specific purpose.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Governmental funds (continued).***

The general fund is the chief operating fund of the City of Rochester. The general fund increased its total fund balance by \$1,430,600 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$30,543,618 while total fund balance amounted to \$32,441,602. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount. The City's financial policies set a target of five months of total expenditures, or 42 percent.

The library fund increased its fund balance by \$165,202 for the year after transferring \$22,445 to the capital projects fund for future equipment purchases. Much of this gain was the result of charges for services exceeding budgeted amounts and new gift appropriations. Additionally, operational expenditures were held \$95,511 below the approved budget. The municipal recreation fund increased its fund balance by \$94,739 as a net gain in the Recreation Center, Park Operation, and Golf programs more than offset losses in the Graham Arena and National Volleyball Center programs. The Mayo Civic Center fund increased its fund balance by \$534,655. The airport fund increased its total fund balance by \$115,561 for the year to \$1,112,367 after higher than expected fee revenues. Additionally, Council provided \$404,199 in budgeted tax levy for the airport in 2015 and capital project transfers were held to just \$89,394 all in effort to restore fund balance in this area. The transit fund saw an increase in fund balance of \$734,102 due to an increase in grant revenue and lower than expected supply costs. Minnesota Bio Science Center fund increased fund balance by \$25,028 as the facility has maintained a consistently high occupancy level.

Debt service fund balances increased by \$135,963 this year reflecting the issuance of Lodging Tax bonds and Variable Rate Sales Tax bonds.

The construction improvement fund increased fund balance by \$44,870,184 due to unspent proceeds from the issuance of the Lodging Tax bonds and Variable Rate Sales Tax bonds as well as accumulation of sales tax revenues prior to project spend down.

***Proprietary funds.*** The City of Rochester's *proprietary funds* statements found on pages 27-34 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Parking - \$20,435,098 Electric - \$44,404,305, Water - \$2,913,285, Sewer - \$26,008,059 and Storm water - \$9,301,267. All proprietary funds reported increases in total net position for the year.

The Sewer Utility reported a \$6.5 million increase in net position for the year as revenues improved from prior year due to scheduled rate increases. The Sewer Utility's rates were increased an average of 8 percent effective January of 2015 based upon an update to the 2005 rate study which was completed at the end of 2009, at which time the city council adopted a new six-year schedule of rate adjustments through 2015. Another rate study was completed by the end of 2015, and the city council adopted another six-year schedule of rate adjustments through 2021. In addition, the "plant investment fee" was increased to \$3,000 in 2015 and increased to \$3,100 in the beginning of 2016. The schedule of rate increases was necessary as sewer flows continued to fall below plan.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Proprietary funds (continued).***

The Water Utility's net position increased \$2.6 million in 2015. This utility's rates were increased by 3.5% in January of 2015 and 6.0% in January of 2016. Rates had not been increased in this utility since 2007. A water utility cost of service study was completed during 2015, with the Utility Board and City Council accepting a three year schedule of rate adjustments.

The Electric Utility net position growth of \$6 million occurred after rates were increased 3.5% in January of 2015. They were further increased by 1.7% for 2016 based on a cost of service study accepted by the RPU board and city council in November of 2014. Electric rates had not been increased since 2009.

The Parking Enterprise growth in net position of \$1.9 million was largely due to increased parking revenues. Parking rates were increased in 2015 reflecting a seven-year rate plan adopted in 2008. The plan called for rate increases every other year such that the fourth and final phase of increases was implemented in 2015 but no increase was implemented in 2014. Rate increases in 2015 were developed to rebalance based on market demand and ranged from 4% to 20%, but averaged approximately 8.8%.

The Storm Water Utility's net position increased \$4.9 million in 2015. Storm Water rates were held flat again in 2015, but there was a 10.75% increase in January 2016 based on a storm water rate study completed in 2015. This rate study approved by the city council created a five-year rate adjustment plan. This utility's last increase was in 2011, an increase of 3% following the rate structure approved by council for years 2008 through 2011.

**General Fund Budgetary Highlights**

The City approved the 2015 general fund budget anticipating a "balanced budget" or slight increase or decrease in fund balance.

Differences between the original budget and the final budget can be briefly summarized as follows:

- Increase in the Public Safety expenditures due to drug enforcement administration and Fire Hazmat grant appropriations.
- Increase in the City Attorney and Council budget to address unplanned expenditures for legal and lobbying consultants.
- Reductions in unallocated contingency account to offset increases in city attorney, and other smaller unplanned costs.
- Infrastructure maintenance budget was increased primarily to reflect sealcoating and other roadwork completed by our own street crews that was funded by capital project accounts or private developer direct reimbursements.

At the close of the year, general fund total expenditures were \$3,470,096 below final budget while actual revenues were above final budget by \$1,210,772. These variances to budget can be traced to higher than expected building permit revenue and savings in police and fire budgets due to a delay in hiring of approved positions.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Rochester's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$1,209,362,154 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Rochester's reported investment in capital assets for the current fiscal year was \$60,441,527, or 5.3 percent. This increase is a result of significant construction activities in building expansions and infrastructure including streets, underground mains and continued construction of the electric transmission line.

**City of Rochester's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 69,050,651	\$ 68,134,187	\$ 16,532,243	\$ 15,202,285	\$ 85,582,894	\$ 83,336,472
Buildings	146,164,271	96,764,279	250,174,462	254,358,900	396,338,733	351,123,179
Improvements other than buildings	26,489,649	27,137,255			26,489,649	27,137,255
Machinery and equipment	29,539,537	24,722,509	227,995,102	212,967,729	257,534,639	237,690,238
Infrastructure	306,056,504	284,591,577			306,056,504	284,591,577
Construction in progress	93,577,780	121,226,012	43,781,955	43,815,894	137,359,735	165,041,906
Total	<u>\$ 670,878,392</u>	<u>\$ 622,575,819</u>	<u>\$ 538,483,762</u>	<u>\$ 526,344,808</u>	<u>\$ 1,209,362,154</u>	<u>\$ 1,148,920,627</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 54-56 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Rochester had \$344,200,750 in bonds and notes outstanding. Of this amount, \$223,193,404 comprises debt backed by the full faith and credit of the government, \$119,341,996 represents bonds and notes secured solely by specified revenue sources, and \$1,665,350 represents an energy loan payable through savings in costs from energy improvements. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.



**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Rochester's Outstanding Debt**  
General Obligation and Revenue Bonds, and Notes Payable

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 7,224,787	\$ 7,895,273	\$	\$	\$ 7,224,787	\$ 7,895,273
General obligation revenue bonds			23,580,000	110,150,000	23,580,000	110,150,000
General obligation lodging tax revenue bonds	42,795,000				42,795,000	
General obligation equipment certificates of indebtedness	355,000	440,000			355,000	440,000
General obligation taxable Build America bonds	24,010,000	24,900,000			24,010,000	24,900,000
General obligation sales tax revenue bonds	30,427,617				30,427,617	
General obligation revenue crossover refunding bonds			94,801,000	60,840,000	94,801,000	60,840,000
Revenue bonds	13,985,000	14,470,000	105,335,000	111,425,000	119,320,000	125,895,000
Notes payable	21,996	48,390			21,996	48,390
Energy loan payable	1,665,350	2,176,906			1,665,350	2,176,906
<b>Total</b>	<b>\$ 120,484,750</b>	<b>\$ 49,930,569</b>	<b>\$ 223,716,000</b>	<b>\$ 282,415,000</b>	<b>\$ 344,200,750</b>	<b>\$ 332,345,569</b>

The City of Rochester's total bonds and notes payable increased by \$11,855,181 during the current fiscal year.

There were five bond issuances by the City during 2015. A Lodging Tax Revenue Bond was issued in the amount of \$42,795,000 for the expansion of the Mayo Civic Center. A Sales Tax Revenue Bond was issued in the amount of \$30,427,617 related to various approved projects, including the Recreation Center expansion, Senior Center, and Fire Station. Two Waste Water Refunding Bonds were issued in the amounts of \$19,805,000 and \$14,156,000 to refund in advance the maturities of the Waste Water Revenue Bonds, Series 2007A and 2007B. An Electric Utility Revenue Refunding Bond was issued in the amount of \$39,970,000 to refund in advance the maturities of the Electric Utility Revenue Bonds, Series 2007C.

Other principal reductions occurred as a result of scheduled debt service payments on existing debt. A more detailed breakdown of these obligations can be found in Note 3:H., beginning on page 60.

The City of Rochester maintains a AAA bond rating on its general obligation bonds from both Moody's Investors Service and Standard and Poors. Rochester Public Utility has Aa3 rating from Moody's Investors Service and an AA- rating from Fitch, reflecting the utility's strong financial performance, good liquidity, and diminishing threat of retail regulation.

**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

- Rochester's unemployment rate declined by 0.2 percent to 3.9 percent by the end of March 2016. This remains below the state and U.S. averages of 4.6 percent and 5.1 percent respectively. Nonagricultural wage and salary employment for the Rochester MSA increased by 1.9 percent over the last year. The gain of 2,194 jobs brought the total employment figure to 115,528 from the March 2015 level of 113,334.
- Building activity continued its strong growth in 2015 and into the first quarter of 2016. Commercial and residential building permits issued for 2015 totaled \$484,095,237. Permit totals were up 21.7 percent from a year ago and 47 percent over 2013. Permit value for the first quarter of 2016 totaled \$120,241,049. This represents increases of 35.3 percent over first quarter 2015, 52.6 percent over 2014.
- Destination Medical Center (DMC). The plan adopted by the City Council and the Destination Medical Center Board in 2015 is a strategic business plan that addresses land use, transportation, infrastructure, business development, marketing and operational strategies over the 20 year period outlining the \$6 billion economic development initiative to secure Minnesota's status as a global medical destination center now and in the future. This legislation secured State, City and County funding of \$585 million to help construct the significant public infrastructure needed to support this growth. An additional 0.25% local option sales tax dedicated towards the City's share of this funding became effective January 1, 2016. Transportation studies are currently underway and an important first step in securing federal funding that will be needed for the significant transportation projects envisioned in the plan.
- Construction continues on the Mayo Civic Center expansion project. The total \$84 million project is funded by \$35 million in State bonding monies and \$49 million in City funds raised through an additional 3% lodging tax within the City. The expansion will nearly double the size of the facility, adding 188,000 square feet, 1,000 jobs in the near term and an estimated \$370 million to the Rochester area economy over the next 10 years. Staff will be preparing for opening of the expanded space in early 2017.
- A number of projects under the voter-approved extension of Rochester's 1/2-cent sales tax were nearing completion with planned opening of the senior center and rec center expansion space during 2016.
- The City's tax levy was increased by approximately \$3.7 million or 6.9 percent for pay 2016 to keep pace with a growing community and to fill back demand from prior years when council held down levies due to a lagging economy.
- Interest rates have remained at historical lows since 2010 making earnings of the City's investment portfolio fall significantly from prior levels.

All of these factors were considered in preparing the City of Rochester's budget for the 2016 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Rochester's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 201 4<sup>th</sup> Street SE, Room 204, Rochester, MN 55904.

**CITY OF ROCHESTER, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**CITY OF ROCHESTER, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2015

	Primary Government			Component Unit DMCC
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,245,776	\$ 7,167,891	\$ 11,413,667	\$ 1,000
Investments	171,094,943	94,951,652	266,046,595	
Land held for resale	773,500		773,500	
Receivables (net of allowance for uncollectibles)	18,569,241	9,111,992	27,681,233	52,868
Internal balances	(5,766,110)	5,766,110		
Due from component unit	51,000		51,000	
Due from other governmental units	16,709,073	15,150	16,724,223	183,852
Accrued utility revenues		5,908,232	5,908,232	
Cash and investments with escrow agent	3,074,158	23,007,895	26,082,053	
Restricted and reserved cash and investments	36,150,891	9,617,566	45,768,457	
Inventory	938,422	5,038,293	5,976,715	
Prepaid items	459,090	259,848	718,938	12,620
Other assets		12,380,258	12,380,258	
Capital assets:				
Nondepreciable	162,628,431	60,314,198	222,942,629	
Depreciable, net	508,249,961	478,169,564	986,419,525	
Total Assets	<u>917,178,376</u>	<u>711,708,649</u>	<u>1,628,887,025</u>	<u>250,340</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activity	9,443,763	2,245,818	11,689,581	
Unamortized deferred amount on refunding		2,096,192	2,096,192	
Total Deferred Outflows of Resources	<u>9,443,763</u>	<u>4,342,010</u>	<u>13,785,773</u>	
Total Assets and Deferred Outflows of Resources	<u>926,622,139</u>	<u>716,050,659</u>	<u>1,642,672,798</u>	<u>250,340</u>
<b>LIABILITIES</b>				
Accounts and contracts payable	9,299,345	11,674,707	20,974,052	186,720
Deposits payable	779,764	993,752	1,773,516	
Accrued interest payable	1,810,565	1,782,225	3,592,790	
Accrued compensation and payroll taxes	1,812,145	480,317	2,292,462	
Accrued claims	2,323,697	10,000	2,333,697	
Due to primary government				51,000
Due to other governmental units	3,188,524	144,367	3,332,891	
Unearned revenue	137,330		137,330	12,620
Noncurrent liabilities:				
Due within one year	10,754,528	13,435,703	24,190,231	
Due in more than one year	128,084,659	236,394,925	364,479,584	
Net pension liability	47,256,387	15,881,892	63,138,279	
Total Liabilities	<u>205,446,944</u>	<u>280,797,888</u>	<u>486,244,832</u>	<u>250,340</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activity	6,642,606	1,855,612	8,498,218	
Unamortized deferred amount on refunding		3,137,815	3,137,815	
Advance payments on leases		725,957	725,957	
Total Deferred Inflows of Resources	<u>6,642,606</u>	<u>5,719,384</u>	<u>12,361,990</u>	
Total Liabilities and Deferred Inflows of Resources	<u>212,089,550</u>	<u>286,517,272</u>	<u>498,606,822</u>	<u>250,340</u>
<b>NET POSITION</b>				
Net investment in capital assets	583,012,721	322,172,020	905,184,741	
Restricted for:				
Airport	1,112,367		1,112,367	
CDBG loans	3,377,703		3,377,703	
Economic development loan	329,856		329,856	
Civic music endowment	41,793		41,793	
Park and recreation	106,595		106,595	
Debt service	1,604,593	324,583	1,929,176	
Children's playgrounds	660,185		660,185	
Flood control	20,843,221		20,843,221	
Tax increment financing	3,245,560		3,245,560	
Sales tax authorized projects	21,483,786		21,483,786	
CapX2020 Funds held in trust		683,050	683,050	
Unrestricted	78,714,209	106,353,734	185,067,943	
Total Net Position	<u>\$ 714,532,589</u>	<u>\$ 429,533,387</u>	<u>\$ 1,144,065,976</u>	<u>\$</u>

See Notes to the Financial Statements

**CITY OF ROCHESTER, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 11,743,255	\$ 529,872	\$ 25,212	\$ 1,664,741
Public safety	49,527,459	6,965,279	2,634,408	
Public works	31,528,109	389,744	374,210	13,517,040
Airport	5,736,407	3,053,404	79,495	2,253,390
Transit	8,291,571	2,389,682	5,253,748	3,272,289
Culture	10,506,555	383,630	1,362,653	
Park and recreation/Mayo Civic Center	17,998,905	6,402,621	253,930	10,930,574
Economic development/tourism	19,326,705	3,138,663	195,113	616,832
Community reinvestment/unallocated	592,918			
Interest on long-term debt	3,181,305			
Total governmental activities	<u>158,433,189</u>	<u>23,252,895</u>	<u>10,178,769</u>	<u>32,254,866</u>
Business-Type activities:				
Parking	4,300,007	6,847,212		
Electric utility	132,233,524	145,855,844		
Water utility	8,674,276	8,660,906		1,414,305
Sewer utility	22,065,001	27,487,183		927,348
Storm water utility	3,795,630	6,060,977		561,720
Total business-type activities	<u>171,068,438</u>	<u>194,912,122</u>		<u>2,903,373</u>
Total	<u>\$ 329,501,627</u>	<u>\$ 218,165,017</u>	<u>\$ 10,178,769</u>	<u>\$ 35,158,239</u>
Component Unit:				
DMCC	<u>\$ 3,605,188</u>	<u>\$</u>	<u>\$ 3,605,187</u>	<u>\$</u>

General revenues:  
  General property taxes  
  Tax increments collection  
  Sales tax  
  Nonproperty taxes  
  Grants and contributions not restricted to specific programs  
  Interest earnings  
  Gain on disposition of property  
  Net increase (decrease) in the fair value of investments  
  Miscellaneous  
Transfers  
  Total general revenues, transfers and special item

Change in net position

Net position - beginning, as originally stated  
Restatement due to change in accounting standards (Note 5)

Net position - beginning, as restated

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue  
and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit DMCC
\$ (9,523,430)	\$	\$ (9,523,430)	\$
(39,927,772)		(39,927,772)	
(17,247,115)		(17,247,115)	
(350,118)		(350,118)	
2,624,148		2,624,148	
(8,760,272)		(8,760,272)	
(411,780)		(411,780)	
(15,376,097)		(15,376,097)	
(592,918)		(592,918)	
(3,181,305)		(3,181,305)	
<u>(92,746,659)</u>		<u>(92,746,659)</u>	
	2,547,205	2,547,205	
	13,622,320	13,622,320	
	1,400,935	1,400,935	
	6,349,530	6,349,530	
	2,827,067	2,827,067	
	<u>26,747,057</u>	<u>26,747,057</u>	
<u>(92,746,659)</u>	<u>26,747,057</u>	<u>(65,999,602)</u>	
			(1)
54,064,041		54,064,041	
2,129,568		2,129,568	
12,033,640		12,033,640	
9,991,794		9,991,794	
7,364,153	9,796	7,373,949	
2,342,414	938,164	3,280,578	1
122,152		122,152	
(254,650)	(194,846)	(449,496)	
1,469,200	341,054	1,810,254	
6,698,770	(6,698,770)		
<u>95,961,082</u>	<u>(5,604,602)</u>	<u>90,356,480</u>	
<u>3,214,423</u>	<u>21,142,455</u>	<u>24,356,878</u>	
752,022,334	423,507,938	1,175,530,272	
(40,704,168)	(15,117,006)	(55,821,174)	
<u>711,318,166</u>	<u>408,390,932</u>	<u>1,119,709,098</u>	
<u>\$ 714,532,589</u>	<u>\$ 429,533,387</u>	<u>\$ 1,144,065,976</u>	<u>\$</u>

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**CITY OF ROCHESTER, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**CITY OF ROCHESTER, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2015

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 309,880	\$ 1,460,118	\$ 2,178,935	\$ 3,948,933
Investments	31,948,966	89,074,187	8,532,690	129,555,843
Land held for resale		773,500		773,500
Accrued interest receivable	170,092	285,580	24,098	479,770
Accounts receivable (net of allowance for uncollectibles)	645,452	644,724	1,531,618	2,821,794
Loans receivable		156,563	3,377,703	3,534,266
Taxes receivable delinquent	320,663	33,070	129,089	482,822
Special assessments receivable:				
Deferred		10,723,707		10,723,707
Delinquent	18,917	238,898	40,739	298,554
Due from other funds	1,010,081	2,268,279	665	3,279,025
Advances to other funds			54,525	54,525
Due from other governmental units	2,273,559	13,158,031	1,274,678	16,706,268
Prepaid items	282,612	175,000	1,478	459,090
Restricted cash and investments	41,793	36,050,898	3,132,358	39,225,049
Inventory	880,888		57,534	938,422
<b>TOTAL ASSETS</b>	<b><u>\$ 37,902,903</u></b>	<b><u>\$ 155,042,555</u></b>	<b><u>\$ 20,336,110</u></b>	<b><u>\$ 213,281,568</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
Liabilities:				
Accounts and contracts payable	\$ 1,255,110	\$ 7,126,466	\$ 611,564	\$ 8,993,140
Deposits payable	223,823		585,718	809,541
Accrued compensation and payroll taxes	1,476,737		334,956	1,811,693
Due to other funds	1,950,329	283,800	384,099	2,618,228
Advances from other funds		54,525	3,135,187	3,189,712
Unearned revenue			4,695	4,695
Due to other governmental units	215,722	2,741,738	148,038	3,105,498
<b>Total Liabilities</b>	<b><u>5,121,721</u></b>	<b><u>10,206,529</u></b>	<b><u>5,204,257</u></b>	<b><u>20,532,507</u></b>
Deferred Inflows of Resources:				
Unavailable revenue				
Property taxes	320,663	33,070	129,089	482,822
Special assessments	18,917	10,962,605	40,739	11,022,261
Loans receivable		156,657	3,377,703	3,534,360
<b>Total Deferred Inflows of Resources</b>	<b><u>339,580</u></b>	<b><u>11,152,332</u></b>	<b><u>3,547,531</u></b>	<b><u>15,039,443</u></b>
Fund Balance:				
Nonspendable	1,163,500	175,000	59,012	1,397,512
Restricted	41,793	46,009,018	3,377,145	49,427,956
Committed		87,499,676		87,499,676
Assigned	692,691		8,148,165	8,840,856
Unassigned	30,543,618			30,543,618
<b>Total Fund Balance</b>	<b><u>32,441,602</u></b>	<b><u>133,683,694</u></b>	<b><u>11,584,322</u></b>	<b><u>177,709,618</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b><u>\$ 37,902,903</u></b>	<b><u>\$ 155,042,555</u></b>	<b><u>\$ 20,336,110</u></b>	<b><u>\$ 213,281,568</u></b>

**CITY OF ROCHESTER, MINNESOTA**  
**RECONCILIATION OF NET POSITION IN THE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES**  
**IN THE FUND BASIS FINANCIAL STATEMENTS**  
December 31, 2015

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

Total governmental fund balances (page 21)		\$ 177,709,618
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 949,052,038	
Less: Accumulated depreciation	<u>(291,639,312)</u>	657,412,726
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 781,376	
Deferred special assessments and utility connection agreements	10,723,707	
Due from other governments	94	
Loans receivable	<u>3,534,266</u>	15,039,443
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		44,283,711
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$(119,889,750)	
Net pension liability	(44,455,230)	
Compensated absences	(10,333,330)	
Accrued interest	(1,802,780)	
Unamortized bond premium	<u>(3,431,819)</u>	<u>(179,912,909)</u>
Net position of governmental activities (page 18)		<u>\$ 714,532,589</u>

**CITY OF ROCHESTER, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2015

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ 35,952,764	\$ 3,446,569	\$ 14,339,868	\$ 53,739,201
Tax increments collection		1,040,502	1,088,491	2,128,993
Sales tax		12,033,640		12,033,640
Special assessments		3,133,502		3,133,502
Utility connection and availability		325,270		325,270
Nonproperty taxes	5,029,848	3,677,495	1,284,451	9,991,794
Licenses and permits	4,031,809			4,031,809
Fines and forfeits	475,034			475,034
Intergovernmental revenues	9,678,867	34,681,705	7,251,712	51,612,284
Charges for services	3,502,073	460,905	10,482,377	14,445,355
Interest earnings	163,286	1,796,114	52,428	2,011,828
Net increase (decrease) in the fair value of investments	(64,050)	(134,000)	(15,000)	(213,050)
Rental revenues	63,647	673,417	3,965,219	4,702,283
Miscellaneous revenues	262,979	3,354,582	724,449	4,342,010
<b>Total Revenues</b>	<b>59,096,257</b>	<b>64,489,701</b>	<b>39,173,995</b>	<b>162,759,953</b>
<b>EXPENDITURES</b>				
Current:				
General government	8,950,029			8,950,029
Public safety	41,809,342		24,953	41,834,295
Public works	12,236,537			12,236,537
Airport operations			3,341,923	3,341,923
Transit			7,120,532	7,120,532
Culture	1,679,730		6,926,318	8,606,048
Park and recreation/Mayo Civic Center			13,525,070	13,525,070
Economic development/tourism	2,525,351		2,048,259	4,573,610
Community reinvestment and unallocated	592,918			592,918
Debt service			5,123,073	5,123,073
Capital outlay		97,316,009		97,316,009
<b>Total Expenditures</b>	<b>67,793,907</b>	<b>97,316,009</b>	<b>38,110,128</b>	<b>203,220,044</b>
Excess (deficiency) of revenues over (under) expenditures	(8,697,650)	(32,826,308)	1,063,867	(40,460,091)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt		76,427,617	265,728	76,693,345
Transfers in	13,142,593	3,477,110	2,238,033	18,857,736
Transfers out	(3,014,343)	(2,208,235)	(1,757,273)	(6,979,851)
<b>Total other financing sources (uses)</b>	<b>10,128,250</b>	<b>77,696,492</b>	<b>746,488</b>	<b>88,571,230</b>
<b>Net change in fund balances</b>	<b>1,430,600</b>	<b>44,870,184</b>	<b>1,810,355</b>	<b>48,111,139</b>
Fund Balance - beginning	31,011,002	88,813,510	9,773,967	129,598,479
Fund Balance - ending	<b>\$ 32,441,602</b>	<b>\$ 133,683,694</b>	<b>\$ 11,584,322</b>	<b>\$ 177,709,618</b>

See Notes to the Financial Statements

**CITY OF ROCHESTER, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2015

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

Net change in fund balances - total governmental funds (page 23)		\$ 48,111,139
Governmental funds reported capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay-capitalized	\$ 68,403,524	
Depreciation expense	<u>(18,689,158)</u>	49,714,366
Infrastructure is contributed from governmental activities to business-type activities and from developers to governmental activities. The amounts affect governmental net position but do not affect fund balance.		
		(2,363,795)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
		(90,988)
Some revenues which will not be collected for several months after fiscal year ends are not considered "available" and are reported as deferred inflows of resources. Unavailable revenues decreased by this amount this year.		
		(11,153,297)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences December 31, 2015	\$ (10,333,330)	
Compensated absences December 31, 2014	<u>9,605,822</u>	(727,508)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retirement on long-term debt	\$ 2,538,436	
Issuance of bond	(73,222,617)	
Change in pension activity	(3,751,062)	
Premium on issuance of debt	(3,470,728)	
Amortization of bond premium	99,174	
Change in accrued interest	<u>(884,640)</u>	(78,691,437)
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		
		<u>(1,584,057)</u>
Change in net position of governmental activities (pages 19 and 20)		<u>\$ 3,214,423</u>

**CITY OF ROCHESTER, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 35,276,277	\$ 36,027,508	\$ 35,952,764	\$ (74,744)
Nonproperty taxes	4,653,398	4,889,605	5,029,848	140,243
Licenses and permits	3,298,736	3,298,736	4,031,809	733,073
Fines and forfeits	377,000	448,537	475,034	26,497
Intergovernmental	9,187,862	9,457,979	9,678,867	220,888
Charges for services	3,065,227	3,224,808	3,502,073	277,265
Interest earnings	182,000	182,603	163,286	(19,317)
Net increase (decrease) in the fair value of investments			(64,050)	(64,050)
Rental revenues	73,114	73,114	63,647	(9,467)
Miscellaneous revenues	236,305	282,595	262,979	(19,616)
Total Revenues	<u>56,349,919</u>	<u>57,885,485</u>	<u>59,096,257</u>	<u>1,210,772</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Mayor and Council	737,786	805,386	766,089	39,297
City Administrator	688,505	688,505	656,192	32,313
Development District Administration	169,464	170,423	156,545	13,878
City Clerk	430,956	432,556	431,019	1,537
Elections and Voter Registration	25,761	25,761	23,132	2,629
Finance Department	1,427,704	1,438,022	1,397,762	40,260
Information Systems	1,825,637	1,849,892	1,580,703	269,189
City Attorney	1,462,981	2,048,672	2,029,994	18,678
Human Resources	1,380,708	1,395,708	1,347,616	48,092
Planning and Zoning	43,454	43,454	30,584	12,870
City Hall Maintenance	585,576	589,465	530,393	59,072
Total General Government	<u>8,778,532</u>	<u>9,487,844</u>	<u>8,950,029</u>	<u>537,815</u>
Public Safety:				
Police Department	23,593,700	23,799,950	23,033,612	766,338
Fire Department	14,666,702	14,924,135	14,563,118	361,017
Fire Hazmat Response Team		57,328	70,791	(13,463)
Building Safety	3,216,174	3,217,411	3,046,824	170,587
Animal Control	320,382	325,540	288,885	36,655
Drug Enforcement Administration		224,146	39,832	184,314
Flood Control	652,766	654,116	486,811	167,305
Emergency Mgmt/Safety Council	250,200	265,200	279,469	(14,269)
Total Public Safety	<u>42,699,924</u>	<u>43,467,826</u>	<u>41,809,342</u>	<u>1,658,484</u>

**CITY OF ROCHESTER, MINNESOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Current:				
Public Works:				
Engineering	\$ 2,876,381	\$ 2,887,088	\$ 2,553,069	\$ 334,019
PWTOC Building/Site Operations	47,265	47,418	47,659	(241)
Traffic Engineer	1,271,949	1,272,891	1,099,424	173,467
Infrastructure Maintenance	6,510,161	7,743,812	7,360,645	383,167
City Lighting	1,283,055	1,283,055	1,175,740	107,315
Total Public Works	<u>11,988,811</u>	<u>13,234,264</u>	<u>12,236,537</u>	<u>997,727</u>
Culture:				
Art Center/Theatre	580,480	656,418	636,851	19,567
Music Department	1,013,500	1,236,262	1,042,879	193,383
Total Culture	<u>1,593,980</u>	<u>1,892,680</u>	<u>1,679,730</u>	<u>212,950</u>
Economic Development/Tourism	<u>2,251,000</u>	<u>2,584,207</u>	<u>2,525,351</u>	<u>58,856</u>
Community Reinvestment and Unallocated	<u>1,396,252</u>	<u>597,182</u>	<u>592,918</u>	<u>4,264</u>
Total Expenditures	<u>68,708,499</u>	<u>71,264,003</u>	<u>67,793,907</u>	<u>3,470,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,358,580)</u>	<u>(13,378,518)</u>	<u>(8,697,650)</u>	<u>4,680,868</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,139,796	13,459,886	13,142,593	(317,293)
Transfers out	(162,993)	(3,014,343)	(3,014,343)	
Total other financing sources (uses)	<u>11,976,803</u>	<u>10,445,543</u>	<u>10,128,250</u>	<u>(317,293)</u>
Net change in fund balances	<u>(381,777)</u>	<u>(2,932,975)</u>	<u>1,430,600</u>	<u>4,363,575</u>
Fund Balance - beginning	<u>31,011,002</u>	<u>31,011,002</u>	<u>31,011,002</u>	
Fund Balance - ending	<u>\$30,629,225</u>	<u>\$28,078,027</u>	<u>\$32,441,602</u>	<u>\$ 4,363,575</u>

**CITY OF ROCHESTER, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
December 31, 2015

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 146,456	\$ 5,934,447	\$ 771,404
Investments	17,370,052	35,763,675	4,146,725
Accrued interest receivable	41,462		
Accounts receivable	227,964	8,002,320	627,188
Accrued utility revenues		5,743,746	164,486
Taxes receivable delinquent			
Inventory, material, supplies and fuel		4,881,140	153,354
Due from other funds			
Advances to other funds	3,135,187		
Due from other governmental units			
Prepaid items		239,848	
Restricted and reserved cash		718,574	
Cash and investments with escrow agent			
Total Current Assets	<u>20,921,121</u>	<u>61,283,750</u>	<u>5,863,157</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	9,415,367	38,126,740	4,398,521
Depreciable	38,099,712	334,134,882	133,247,257
Less: Accumulated depreciation	<u>(22,963,884)</u>	<u>(193,261,515)</u>	<u>(43,773,541)</u>
Net capital assets	24,551,195	179,000,107	93,872,237
Restricted and reserved cash	114,548	3,128,366	
Restricted investments		5,656,078	
Other assets		12,354,024	
Total Noncurrent Assets	<u>24,665,743</u>	<u>200,138,575</u>	<u>93,872,237</u>
Total Assets	<u>45,586,864</u>	<u>261,422,325</u>	<u>99,735,394</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding		2,096,192	
Deferred outflows from pension activity	31,492	1,659,244	197,756
Total Deferred Outflows of Resources	<u>31,492</u>	<u>3,755,436</u>	<u>197,756</u>
Total Assets and Deferred Outflows of Resources	<u>45,618,356</u>	<u>265,177,761</u>	<u>99,933,150</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts and contracts payable	120,867	10,367,328	666,850
Deposits payable	53,290	582,359	52,493
Accrued interest payable		393,989	
Accrued compensation and payroll taxes	6,777	310,995	39,605
Accrued compensated absences	32,086	1,574,774	252,947
Due to other funds	253	2,884,456	189,891
Due to other governmental units	135,950		
Unearned revenue			
Accrued claims			
Current maturities of long term debt		3,895,000	
Total Current Liabilities	<u>349,223</u>	<u>20,008,901</u>	<u>1,201,786</u>
Noncurrent Liabilities:			
Bonds payable, net of unamortized premium		110,828,414	
Accrued compensated absences	28,175	1,226,800	175,379
Net pension liability	228,024	11,722,132	1,400,562
Accrued claims		10,000	
Post employment benefit obligation			
Total Noncurrent Liabilities	<u>256,199</u>	<u>123,787,346</u>	<u>1,575,941</u>
Total Liabilities	<u>605,422</u>	<u>143,796,247</u>	<u>2,777,727</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance payments on leases		519,695	206,262
Deferred charge on refunding			
Deferred inflows from pension activity	26,641	1,369,594	163,639
Total Deferred Inflows of Resources	<u>26,641</u>	<u>1,889,289</u>	<u>369,901</u>
Total Liabilities and Deferred Inflows of Resources	<u>632,063</u>	<u>145,685,536</u>	<u>3,147,628</u>
<b>NET POSITION</b>			
Net investment in capital assets	24,551,195	74,080,287	93,872,237
Restricted			
Debt service		324,583	
CapX2020 Funds held in trust		683,050	
Unrestricted	20,435,098	44,404,305	2,913,285
Total Net Position	<u>\$ 44,986,293</u>	<u>\$ 119,492,225</u>	<u>\$ 96,785,522</u>

Amounts reported by business-type activities in the statement of net position (page 18) are different because:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities



Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 234,694	\$ 80,890	\$ 7,167,891	\$ 347,843
28,016,600	9,654,600	94,951,652	41,539,100
66,387	22,865	130,714	98,250
105,786	18,020	8,981,278	117,105
		5,908,232	3,073
3,799		5,038,293	
2,223,494	422,654	2,646,148	
		3,135,187	
15,150		15,150	2,805
20,000		259,848	
		718,574	
23,007,895		23,007,895	
<u>53,693,805</u>	<u>10,199,029</u>	<u>151,960,862</u>	<u>42,108,176</u>
3,902,678	4,470,892	60,314,198	883,804
325,898,329	67,361,723	898,741,903	33,514,136
(149,121,027)	(11,452,372)	(420,572,339)	(20,932,274)
<u>180,679,980</u>	<u>60,380,243</u>	<u>538,483,762</u>	<u>13,465,666</u>
		3,242,914	
		5,656,078	
26,234		12,380,258	
<u>180,706,214</u>	<u>60,380,243</u>	<u>559,763,012</u>	<u>13,465,666</u>
<u>234,400,019</u>	<u>70,579,272</u>	<u>711,723,874</u>	<u>55,573,842</u>
		2,096,192	
304,111	53,215	2,245,818	
<u>304,111</u>	<u>53,215</u>	<u>4,342,010</u>	
<u>234,704,130</u>	<u>70,632,487</u>	<u>716,065,884</u>	<u>55,573,842</u>
73,149	446,513	11,674,707	296,305
305,610		993,752	15,686
1,383,340	4,896	1,782,225	7,786
106,997	15,943	480,317	452
237,862	17,034	2,114,703	
191,085	41,260	3,306,945	
8,248	169	144,367	83,026
			87,171
			1,290,869
7,426,000		11,321,000	125,000
<u>9,732,291</u>	<u>525,815</u>	<u>31,818,016</u>	<u>1,906,295</u>
123,836,002		234,664,416	470,000
291,530	8,625	1,730,509	
2,158,213	372,961	15,881,892	
		10,000	1,032,828
			4,589,288
<u>126,285,745</u>	<u>381,586</u>	<u>252,286,817</u>	<u>6,092,116</u>
<u>136,018,036</u>	<u>907,401</u>	<u>284,104,833</u>	<u>7,998,411</u>
		725,957	
3,137,815		3,137,815	
252,162	43,576	1,855,612	
<u>3,389,977</u>	<u>43,576</u>	<u>5,719,384</u>	
<u>139,408,013</u>	<u>950,977</u>	<u>289,824,217</u>	<u>7,998,411</u>
69,288,058	60,380,243	322,172,020	12,870,666
		324,583	
		683,050	
26,008,059	9,301,267	103,062,014	34,704,765
<u>\$ 95,296,117</u>	<u>\$ 69,681,510</u>	<u>426,241,667</u>	<u>\$ 47,575,431</u>
		3,291,720	
		<u>\$ 429,533,387</u>	

**CITY OF ROCHESTER, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 For the Year Ended December 31, 2015**

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 6,847,212	\$	\$
Sales and charges for services, pledged as security for revenue bonds		136,139,152	7,788,280
Miscellaneous		9,716,692	872,626
Total Operating Revenues	<u>6,847,212</u>	<u>145,855,844</u>	<u>8,660,906</u>
Operating Expenses:			
Purchased power		86,639,004	
Maintenance and operations	3,130,565	30,339,551	6,110,462
Amortization of regulatory assets		402,637	
Depreciation	1,155,668	10,186,632	2,416,580
Total Operating Expenses	<u>4,286,233</u>	<u>127,567,824</u>	<u>8,527,042</u>
Operating Income (Loss)	<u>2,560,979</u>	<u>18,288,020</u>	<u>133,864</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	577		
Interest earnings	138,473	239,919	53,274
Net increase (decrease) in the fair value of investments	(15,800)		
Interest and fiscal charges		(3,421,290)	(6)
Amortization of regulatory assets		(73,211)	
Gain (loss) on disposal of property			
Other income (expense)	6,970	(610,054)	(66,666)
Total Nonoperating Revenues (Expenses)	<u>130,220</u>	<u>(3,864,636)</u>	<u>(13,398)</u>
Income (Loss) Before Transfers and Capital Contributions	2,691,199	14,423,384	120,466
Capital contributions	62,500		2,818,359
Transfers in			
Transfers out	(814,623)	(8,383,748)	(344,059)
Change in net position	<u>1,939,076</u>	<u>6,039,636</u>	<u>2,594,766</u>
Net Position - beginning, as originally stated	43,267,061	124,655,896	95,583,933
Restatement (Note 5)	(219,844)	(11,203,307)	(1,393,177)
Net Position - beginning, as restated	<u>43,047,217</u>	<u>113,452,589</u>	<u>94,190,756</u>
Net Position - End of Year	<u>\$ 44,986,293</u>	<u>\$ 119,492,225</u>	<u>\$ 96,785,522</u>

Amounts reported by business-type activities in the statement of activities (page 19) are different because:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net position of business-type activities

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$	\$ 5,030,809	\$ 11,878,021	\$ 19,227,435
27,336,739		171,264,171	
150,444	1,030,168	11,769,930	
<u>27,487,183</u>	<u>6,060,977</u>	<u>194,912,122</u>	<u>19,227,435</u>
		86,639,004	
9,503,148	2,504,152	51,587,878	19,414,974
		402,637	
<u>8,359,839</u>	<u>1,273,776</u>	<u>23,392,495</u>	<u>2,750,914</u>
<u>17,862,987</u>	<u>3,777,928</u>	<u>162,022,014</u>	<u>22,165,888</u>
<u>9,624,196</u>	<u>2,283,049</u>	<u>32,890,108</u>	<u>(2,938,453)</u>
			339,134
9,219		9,796	2,302
430,948	75,550	938,164	330,586
(158,846)	(20,200)	(194,846)	(41,600)
(4,019,680)		(7,440,976)	(18,977)
		(73,211)	
(34,700)		(34,700)	122,152
<u>327,832</u>	<u>6,252</u>	<u>(335,666)</u>	<u>2,144</u>
<u>(3,445,227)</u>	<u>61,602</u>	<u>(7,131,439)</u>	<u>735,741</u>
6,178,969	2,344,651	25,758,669	(2,202,712)
1,999,358	3,000,109	7,880,326	
154,307	273,395	427,702	19,700
(1,842,779)	(718,216)	(12,103,425)	(221,862)
<u>6,489,855</u>	<u>4,899,939</u>	<u>21,963,272</u>	<u>(2,404,874)</u>
90,734,457	65,154,054		49,980,305
(1,928,195)	(372,483)		
<u>88,806,262</u>	<u>64,781,571</u>		<u>49,980,305</u>
<u>\$ 95,296,117</u>	<u>\$ 69,681,510</u>		<u>\$ 47,575,431</u>
		<u>(820,817)</u>	
		<u>\$ 21,142,455</u>	

**CITY OF ROCHESTER, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2015

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ 3,671,136	\$ 141,691,796	\$ 7,902,176
Cash received from other City funds	47,928	5,726,550	196,866
Cash received from employees			
Cash paid to employees	(415,001)	(14,296,693)	(1,680,383)
Cash paid to suppliers	(2,588,864)	(104,387,652)	(4,755,350)
Service territory acquisition		(421,982)	
Other income	6,970		
<b>Net Cash Provided By Operating Activities</b>	<u>722,169</u>	<u>28,312,019</u>	<u>1,663,309</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
General property taxes			
Intergovernmental revenues	577		
Transfers in			
Transfers out	(814,623)	(8,379,624)	(341,655)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<u>(814,046)</u>	<u>(8,379,624)</u>	<u>(341,655)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds from the sale of property			
Proceeds from the issuance of bonds			
Principal payments on bonds		(6,090,000)	
Interest and fiscal charges		(3,080,490)	
Repayment of developer agreements			
Acquisition of capital assets	(1,261,363)	(20,394,704)	(2,204,056)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<u>(1,261,363)</u>	<u>(29,565,194)</u>	<u>(2,204,056)</u>
<b>Cash Flows From Investing Activities:</b>			
Investment income	137,749	235,190	53,267
Net (increase) decrease in investments	(3,124,886)	(2,077,223)	768,668
<b>Net Cash Provided By (Used In) Invested Activities</b>	<u>(2,987,137)</u>	<u>(1,842,033)</u>	<u>821,935</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,340,377)	(11,474,832)	(60,467)
Cash and Cash Equivalents, Beginning of Year	4,601,381	21,256,219	831,871
Cash and Cash Equivalents, End of Year	<u>\$ 261,004</u>	<u>\$ 9,781,387</u>	<u>\$ 771,404</u>
<b>Classified As:</b>			
Cash and Cash Equivalents	\$ 146,456	\$ 5,934,447	\$ 771,404
Restricted and Reserved Cash	114,548	3,846,940	
<b>Total Cash and Cash Equivalents, End of Year</b>	<u>\$ 261,004</u>	<u>\$ 9,781,387</u>	<u>\$ 771,404</u>

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 27,179,602	\$ 5,871,695	\$ 186,316,405	
98,490	176,736	6,246,570	\$ 18,194,897
(3,629,509)	(590,822)	(20,612,408)	944,803
(5,945,755)	(1,920,592)	(119,598,213)	(17,962,575)
		(421,982)	
327,832	6,252	341,054	
<u>18,030,660</u>	<u>3,543,269</u>	<u>52,271,426</u>	<u>1,177,125</u>
			339,488
9,219		9,796	2,302
154,307	273,395	427,702	19,700
<u>(1,842,779)</u>	<u>(718,216)</u>	<u>(12,096,897)</u>	<u>(221,862)</u>
<u>(1,679,253)</u>	<u>(444,821)</u>	<u>(11,659,399)</u>	<u>139,628</u>
			231,709
14,156,000		14,156,000	
(20,525,000)		(26,615,000)	(130,000)
(4,450,819)	(1,648)	(7,532,957)	(20,415)
	(138,101)	(138,101)	
<u>(1,705,141)</u>	<u>(1,143,117)</u>	<u>(26,708,381)</u>	<u>(3,820,244)</u>
<u>(12,524,960)</u>	<u>(1,282,866)</u>	<u>(46,838,439)</u>	<u>(3,738,950)</u>
416,743	69,714	912,663	327,112
<u>(5,740,346)</u>	<u>(2,368,400)</u>	<u>(12,542,187)</u>	<u>(810,400)</u>
<u>(5,323,603)</u>	<u>(2,298,686)</u>	<u>(11,629,524)</u>	<u>(483,288)</u>
(1,497,156)	(483,104)	(17,855,936)	(2,905,485)
<u>1,731,850</u>	<u>563,994</u>	<u>28,985,315</u>	<u>3,253,328</u>
<u>\$ 234,694</u>	<u>\$ 80,890</u>	<u>\$ 11,129,379</u>	<u>\$ 347,843</u>
\$ 234,694	\$ 80,890	\$ 7,167,891	\$ 347,843
		3,961,488	
<u>\$ 234,694</u>	<u>\$ 80,890</u>	<u>\$ 11,129,379</u>	<u>\$ 347,843</u>

**CITY OF ROCHESTER, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
For the Year Ended December 31, 2015

Reconciliation of Operating Income (Loss) to Net Cash  
Provided By Operating Activities

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Income (Loss)	\$ 2,560,979	\$ 18,288,020	\$ 133,864
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and amortization expense	1,155,668	10,589,269	2,416,580
Change in net pension liability	3,329	(289,650)	(34,117)
Other income (expense)	6,970	(610,630)	
Service territory payments		(421,982)	
Other		175,353	(57,247)
(Increase) Decrease In:			
Accounts receivables and accrued utility revenues	708	(326,696)	(311,128)
Inventory		786,807	(7,101)
Due from other funds			
Due from other governmental units			
Advances due from other funds	(3,135,187)		
Prepaid items			
Other assets		(216,971)	
Increase (Decrease) In:			
Accounts and contracts payable, operations	101,301	397,809	(296,024)
Deposits payable	6,328	(22,890)	(31,566)
Accrued expenses and other liabilities	(58,487)		
Post employment benefit obligations			
Unearned revenues		(36,420)	(149,952)
Accrued claims			
Due to other funds	3		
Due to other governmental units	80,557		
Net Cash Provided By Operating Activities	<u>\$ 722,169</u>	<u>\$ 28,312,019</u>	<u>\$ 1,663,309</u>
Non Cash Transactions:			
Increase (decrease) in fair value of investments	\$ (15,800)	\$	\$
Receipt of contributed property	62,500		2,818,359
Equipment purchases in accounts payable at year end			

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 9,624,196	\$ 2,283,049	\$ 32,890,108	\$ (2,938,453)
8,359,839	1,273,776	23,795,132	2,750,914
178,069	(9,161)	(151,530)	
327,832	6,252	(269,576)	
		(421,982)	
		118,106	
(35,632)	2,159	(670,589)	(87,271)
1,565		781,271	
(171,283)	(15,226)	(186,509)	
(10,421)		(10,421)	(464)
		(3,135,187)	
17,393	852	(198,726)	
(173,148)	27,561	57,499	75,111
841		(47,287)	(47,096)
(97,568)	(26,149)	(182,204)	(203)
			803,915
		(186,372)	87,171
			492,165
7,404	521	7,928	
1,573	(365)	81,765	41,336
<u>\$ 18,030,660</u>	<u>\$ 3,543,269</u>	<u>\$ 52,271,426</u>	<u>\$ 1,177,125</u>
\$ (158,846)	\$ (20,200)	\$ (194,846)	\$ (41,600)
1,999,358	3,000,109	7,880,326	140,073

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**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the City of Rochester, Minnesota have been prepared in conformity with generally accepted accounting principles (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 City's accounting policies are described below.

A. Reporting Entity

The City of Rochester, Minnesota (the City) is a municipal corporation, incorporated under the laws of the State of Minnesota, and governed under a charter adopted in 1904.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Rochester. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Rochester.

The accompanying financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus blended component units are appropriately presented as funds of the primary government. Discretely presented component units are presented in a separate column in the government-wide financial statements.

The City of Rochester has two component units, the Rochester Economic Development Authority (REDA) and the Destination Medical Center Corporation (DMCC). The REDA was created to account for development allowable only under specific State statutes. The board of directors of the REDA is comprised of City Council members and the REDA directly provides all of its services to the City. There were no activities in the REDA in 2014 other than the accumulation of resources and debt service on outstanding bonds issued by the REDA which is reported in the Economic Development Authority Bond nonmajor debt service fund. The REDA is reported as a blended component unit. The other component unit is the DMCC which was incorporated in 2013 as a nonprofit corporation with the City of Rochester as its sole member. The Corporation was established to benefit the City, and more broadly, Olmsted County and the State of Minnesota by researching, preparing, and implementing a master development plan, including facilitating public infrastructure projects and a variety of development and redevelopment projects, all to promote and provide for the establishment of the City, the County, and the State as a world destination medical center. The DMCC is fiscally dependent on the City as the DMCC is required to have its annual budget approved by the City Council. Also, the City has a financial benefit or burden relationship with the DMCC as it is the beneficiary and sole member of the DMCC and the recipient of all residual assets upon liquidation.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Separate audited financial statements for the year ended December 31, 2015 are available from the DMCC. The DMCC is discretely presented to emphasize its legal separation from the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government (the City) and its component unit (DMCC). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *construction improvement fund* accounts for the financial resources to be used for streets and infrastructure other than that financed by proprietary funds.

The City reports the following major proprietary funds:

The *parking fund* accounts for the operation of the parking enterprise.

The *electric utility fund* accounts for the operations of the City owned electric utility system.

The *water utility fund* accounts for the operation of the City owned water utility system.

The *sewer utility fund* accounts for the operations of the City owned water reclamation plant.

The *storm water utility fund* accounts for the storm water management services of the City.

Additionally, the City reports the following fund types:

*Internal service funds* account for insurance, data processing equipment and fleet management services provided to other departments of the City on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position

1. Deposits and investments

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at fair value, based upon quoted market prices at the reporting date.

Cash and cash equivalents for purposes of the basic financial statements includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

2. Cash and investments with escrow agent

Certain resources set aside for repayment of crossover refunding bond payments are classified as cash and investments with escrow agent on the statement of net position because their use is limited by applicable bond covenants.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position (continued)

3. Receivables, payables, and deferred inflows of resources

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax levies are set by the City Council in December of each year and are certified to Olmsted County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, net of an allowance for uncollectible taxes currently estimated at 3.0% of the outstanding balance. The net amount of delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures. Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 5.0% to 7.5%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are carried net of an allowance for uncollectible assessments estimated at 3.0% of the outstanding balance. The net amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position (continued)

4. Other Assets

Other Assets includes regulatory assets consisting of bond issue costs and service territory acquisition costs.

5. Inventory

The materials and supplies inventories are valued at the lower of moving average cost or market. Fossil fuel inventories in the Enterprise Funds are valued at the lower of cost on a last-in, first-out basis, or market. Purchases are reported as expenditures when the inventory items are consumed (consumption method).

6. Deferred outflows of resources

In addition to assets, the statement of financial 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) until then. The City has two items that qualify for reporting in this category. It is the deferred charge on advance refunding of revenue bonds and deferred outflows from pension activity. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt. This difference is being amortized and charged to operations over the bond term using the interest method.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position (continued)

7. Capital assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life</u> <u>in Years</u>
Buildings	10 - 40
Infrastructure	15 - 80
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

8. Utility connection charges

The City enters into utility connection agreements with certain residential property owners that elect to convert to City utilities. Under these agreements, property owners may elect to pay connection charges in full or make payments to the City as special assessments over ten years as reimbursement for City made improvements. Utility connection charges are based on a flat rate per frontage foot and are limited to a maximum amount per lot based on lot size. Revenue from utility connection agreements is recognized when the City enters into agreements with property owners in the government-wide financial statements and as the charges become collectible in the governmental funds of the fund financial statements.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position (continued)

9. Compensated absences benefits

Vacation, sick pay and compensatory overtime are accrued when earned in the government-wide financial statements and the proprietary fund types. In the Governmental Funds of the fund financial statements, vacation, sick pay and compensatory overtime are recorded as expenditures and accrued as current liabilities only if they have matured, for example, as a result of employee's resignations and retirements.

The City compensates employees upon termination, for 40% of their unused sick leave, after meeting certain qualifications based upon length of service. The compensation is computed at the employee's rate of pay at the time of termination, and is deposited in a healthcare savings plan. The sick leave liability is estimated based on the City's past experience of making termination payments for sick leave.

Unused vacation pay in excess of two times the annual vacation accrual rate expires each December after the last pay date. Under certain conditions vacation pay will be paid upon termination in good standing. Most employees are also allowed to accumulate compensatory overtime up to a maximum of 80 hours per anniversary period. Certain other employees are allowed to accumulate compensatory overtime up to a maximum of 240 hours.

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the electric utility fund, bond issuance costs are recorded as a regulatory asset and amortized over the term of the bond issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position (continued)

11. Deferred Inflow of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents receipt of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The City has received advance payments on leases and deferred inflows from pension activity that qualifies for reporting in this category. The lease revenues are being recognized ratably over the lease term.

12. Fund equity

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

In accordance with Governmental Accounting Standards, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – includes fund balance amounts restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are committed for specific purposes that are internally imposed by the City Council through formal action (resolution) and remain binding unless removed by the City Council by subsequent formal action.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

12. Fund equity (continued)

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The City Council, by resolution, has delegated the power to assign fund balances to the city administrator.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts when expenditures are made.

The City Council has formally adopted a fund balance policy for the general fund requiring a minimum unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) of 5 months or 42% of annual operating expenditures.

E. Transactions between the City and its Component Unit

The City conducts transactions with its component unit. Significant balances between the City and its component unit are described in footnote 3:C. Also, for the year ended December 31, 2015, the revenues of the DMCC were primarily provided by the City.

F. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 1: Summary of Significant Accounting Policies (continued)

NOTE 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds with the exception of the Community Development Projects Fund and the Minnesota Bio Science Center Fund, which adopt project length budgets.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Budgetary control for the Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 2: Stewardship, Compliance, and Accountability

A. Budgetary Information (continued)

4. Any changes to the budget at the functional level must be by formal resolution of the City Council. Generally, budget amendments result in utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of budgets is maintained at the department level by departments or divisions. However, expenditures in excess of the departmental budget require administrative approval.
5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the functional level.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

NOTE 3: Detailed Notes on All Funds

A. Deposits and Investments

The City maintains a pooled cash and investment portfolio that is used by substantially all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council.

Investment income derived from the pooled funds is allocated to respective funds on the basis of applicable cash balance participation by each fund.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Deposits

In accordance with Minnesota Statutes, the City maintains deposits with national banks, insured state banks or thrift institutions as authorized by the City Council.

Minnesota Statutes requires that all City deposits be insured, secured by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments described in the following paragraphs. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

The City's deposits in banks at December 31, 2015 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

Investment Policy

The City has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash and investment portfolio.

This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide for proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City's investment program as set forth by the investment policy is preservation of capital and protection of investment principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

Separate investment policies or agreements may exist to address proceeds from certain bond issues or debt service funds in accordance with arbitrage rebate requirements.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment Policy (continued)

- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- (h) Guaranteed investment contract (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance company and with a credit quality in one of the top two highest categories.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the City's investment policy the City is required to mitigate its exposure to interest rate risk as follows:

- purchasing a combination of shorter term and longer term investments
- reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with expected use of funds
- timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operations
- monitoring the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio
- unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of purchase
- the average weighted maturity of the portfolio should not exceed three (3) years



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The following is a summary of the City of Rochester's cash and investment portfolio as of December 31, 2015, including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2015 Amount</u>	<u>Weighted Average Maturity (in years)</u>	<u>Investment Rating as of Year End</u>	
			<u>S&amp;P</u>	<u>MOODY</u>
Commercial Paper	\$ 12,985,160	0.10 - 0.50	A-1	P1
Municipal Bond	7,041,732	*	Unrated	Unrated
US Government and Agency Securities:				
Federal Farm Credit Bank	49,853,100	0.33 - 3.67	AA+	Aaa
Federal Home Loan Bank	55,089,118	0.24 - 3.31	AA+	Aaa
Federal Home Loan Mortgage Corporation	38,440,060	0.24 - 3.25	AA+	Aaa
Federal National Mortgage Association	8,401,852	0.20 - 2.94	AA+	Aaa
Treasury Note	<u>94,381,724</u>	0.50 - 3.18	AA+	Aaa
Sub-total Investments	266,192,746			
Cash and Deposits	<u>83,118,026</u>			
Total	<u>\$ 349,310,772</u>			

\* Investment in internally issued municipal bonds not subject to weighted average maturity policy.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments. The investment policy of the City limits their investment options to those authorized by Minnesota Statute as described on the previous page.

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 49,853,100
Federal Home Loan Bank	Federal Agency Securities	55,089,118
Federal Home Loan Mortgage Corporation	Federal Agency Securities	38,440,060
Federal National Mortgage Association	Federal Agency Securities	8,401,852
Treasury Note	United States Treasury Securities	94,381,724

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2015 all investments were insured or registered or the securities were held by the City or its agent in the city's name.

A reconciliation of cash and investments as shown on the Statement of Net Position:

Cash and cash equivalents	\$ 11,413,667
Investments	266,046,595
Cash and investments with escrow agent	26,082,053
Restricted and reserved cash and investments	<u>45,768,457</u>
Total	<u>\$ 349,310,772</u>

NOTE 3: Detailed Notes on All Funds (continued)

B. Land Held for Resale

In 2009, 2011, 2012, and 2014 the City acquired parcels of land from private parties for a total purchase price of \$1,668,500. The City intends to resell these properties in connection with the expansion of the University of Minnesota Rochester Campus and for private development. In 2014, the City sold certain parcels of land with a cost basis totaling \$895,000. The remaining parcels held for resale totaling \$773,500, is reported in the Construction Improvement Fund. The City's estimate of net realizable value is in excess of the amount recorded at December 31, 2015.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

C. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2015 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	City of Rochester	Other	Total
General	\$ 85	\$ 755,867	\$1,502,101	\$	\$ 15,506	\$ 2,273,559
Special Revenue	739,764	338,460	99,410		88,153	1,265,787
Capital Project	938,917	10,623,970	1,595,144			13,158,031
Debt Service			8,891			8,891
Enterprise		2,294	12,856			15,150
Internal Service	977		1,828			2,805
Totals	<u>\$1,679,743</u>	<u>\$ 11,720,591</u>	<u>\$3,220,230</u>	<u>\$</u>	<u>\$ 103,659</u>	<u>\$16,724,223</u>
DMCC	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 183,852</u>	<u>\$</u>	<u>\$ 183,852</u>

Amounts due to other governmental units as of December 31, 2015 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	DMCC	Other	Total
General	\$	\$ 25,395	\$ 188,397	\$	\$ 1,930	\$ 215,722
Special Revenue	10,286	28,779	103,136		5,837	148,038
Capital Project		1,237,664	1,320,222	183,852		2,741,738
Enterprise	3,576	981	139,810			144,367
Internal Service	70,819	12,207				83,026
Totals	<u>\$ 84,681</u>	<u>\$ 1,305,026</u>	<u>\$1,751,565</u>	<u>\$ 183,852</u>	<u>\$ 7,767</u>	<u>\$ 3,332,891</u>

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

D. Restricted, Reserved and Cash and Investments with Escrow Agent

Restricted cash are deposits held for specifically required purposes. Reserved cash are deposits reserved by council action for a particular purpose. Cash and investments with escrow agent are deposits into an irrevocable trust with an escrow agent held for specifically required purposes. Descriptions of the items and balances as of December 31, 2015 are as follows:

*Restricted Cash -*

General Fund

Civic Music Endowment:	
Rochester Area Foundation Endowment	\$ 41,793

Debt Service Funds

Economic Development Authority Bond	3,074,158
Lodging Tax Revenue Bond	58,200

Enterprise Funds

Electric Fund:	
Construction Fund	3,128,366

*Restricted Investments -*

Enterprise Funds

Electric Fund:	
Debt Service Reserve Accounts	4,973,028
CAPX 2020 Expense Reserve	683,050

*Reserved Cash -*

Enterprise Funds:

Parking Fund:	
Bioscience Building Debt Service Reserve	114,548
Electric Fund:	
Debt Service Fund	718,574

*Cash and Investments with Escrow Agent -*

Construction Improvement Fund

Mayo Civic Center Project Account	36,050,898
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Enterprise Funds

Sewer Fund:	
Waste Water Debt Service and Refunding Account	23,007,895

The electric utility issued revenue bonds in 2000 and 2002 to fund the construction of electric utility improvements. Provisions of these revenue bonds require that the electric utility fund debt service accounts in an amount equal to the following year's bond principal and interest payments at least by the date the debt payments are due each year. In addition to the debt service account, provisions of the electric utility revenue bonds require that a portion of the bond proceeds be deposited in a reserve account to be used to pay bond principal and interest payments if necessary.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2015 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 68,134,187	\$ 1,106,464	\$ 190,000	\$ 69,050,651
Construction in progress	121,226,012	68,612,012	96,260,244	93,577,780
Total capital assets, not being depreciated	<u>189,360,199</u>	<u>69,718,476</u>	<u>96,450,244</u>	<u>162,628,431</u>
Capital assets, being depreciated:				
Buildings	174,279,039	54,080,398	55,000	228,304,437
Improvements other than buildings	48,360,866	988,400		49,349,266
Infrastructure	427,371,287	30,864,767		458,236,054
Machinery and equipment	77,592,515	10,771,520	3,432,245	84,931,790
Total capital assets, being depreciated	<u>727,603,707</u>	<u>96,705,085</u>	<u>3,487,245</u>	<u>820,821,547</u>
Less accumulated depreciation for:				
Buildings	77,514,760	4,680,406	55,000	82,140,166
Improvements other than buildings	21,223,611	1,636,006		22,859,617
Infrastructure	142,779,710	9,399,840		152,179,550
Machinery and equipment	52,870,006	5,723,820	3,201,573	55,392,253
Total accumulated depreciation	<u>294,388,087</u>	<u>21,440,072</u>	<u>3,256,573</u>	<u>312,571,586</u>
Total capital assets, being depreciated, net	<u>433,215,620</u>	<u>75,265,013</u>	<u>230,672</u>	<u>508,249,961</u>
Governmental activities capital assets, net	<u>\$ 622,575,819</u>	<u>\$ 144,983,489</u>	<u>\$ 96,680,916</u>	<u>\$ 670,878,392</u>

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2015 was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 15,202,285	\$ 1,468,804	\$ 138,846	\$ 16,532,243
Construction in progress	43,815,894	21,463,456	21,497,395	43,781,955
Total capital assets, not being depreciated	<u>59,018,179</u>	<u>22,932,260</u>	<u>21,636,241</u>	<u>60,314,198</u>
Capital assets, being depreciated:				
Buildings and improvements	426,139,539	9,074,345	177,458	435,036,426
Machinery and equipment	439,333,279	25,927,435	1,555,237	463,705,477
Total capital assets, being depreciated	<u>865,472,818</u>	<u>35,001,780</u>	<u>1,732,695</u>	<u>898,741,903</u>
Less accumulated depreciation for:				
Buildings and improvements	171,780,639	13,213,756	132,431	184,861,964
Machinery and equipment	226,365,550	10,178,739	833,914	235,710,375
Total accumulated depreciation	<u>398,146,189</u>	<u>23,392,495</u>	<u>966,345</u>	<u>420,572,339</u>
Total capital assets, being depreciated, net	<u>467,326,629</u>	<u>11,609,285</u>	<u>766,350</u>	<u>478,169,564</u>
Business-type activities capital assets, net	<u>\$ 526,344,808</u>	<u>\$ 34,541,545</u>	<u>\$ 22,402,591</u>	<u>\$ 538,483,762</u>

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation expense for the year ended December 31, 2015 was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 656,438
Public safety	2,816,794
Public works	7,388,890
Airport operations	2,052,979
Transit	909,561
Culture	1,205,994
Park and recreation/Mayo Civic Center	3,065,681
Economic development/tourism	592,821
Subtotal	<u>18,689,158</u>
Internal Service Funds:	
Equipment revolving	2,564,494
Information technology	<u>186,420</u>

Total depreciation expense - governmental activities	<u>\$ 21,440,072</u>
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**Business-Type Activities:**

Parking	\$ 1,155,668
Electric utility	10,186,632
Water utility	2,416,580
Sewer utility	8,359,839
Storm water utility	<u>1,273,776</u>

Total depreciation expense - business type activities	<u>\$ 23,392,495</u>
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**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts due to and due from other funds as of December 31, 2015, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,010,081	\$ 1,950,329
Construction improvement	2,268,279	283,800
Subtotal	3,278,360	2,234,129
Non-Major Governmental Funds:		
Special Revenue -		
Library		6,496
Municipal recreation system		75,663
Mayo Civic Center	665	41,684
Edward Byrne Memorial JAG		9,793
Airport operations		25,355
Transit		367
Community Development Projects		224,741
Subtotal	665	384,099
Total Governmental Funds	3,279,025	2,618,228
Proprietary Funds:		
Enterprise -		
Parking		253
Electric utility		2,884,456
Water utility		189,891
Sewer utility	2,223,494	191,085
Storm water utility	422,654	41,260
Total Proprietary Funds	2,646,148	3,306,945
Total All Funds	\$ 5,925,173	\$ 5,925,173



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

The amounts advanced to and from other funds as of December 31, 2015, at the individual fund level are summarized below:

Funds	Advanced To Other Funds	Advanced From Other Funds
Governmental Funds:		
Construction improvement	\$	\$ 54,525
FE Williams Estate	54,525	
Economic Development Authority Bond		3,135,187
Proprietary Fund:		
Parking	3,135,187	
Total All Funds	<u>\$ 3,189,712</u>	<u>\$ 3,189,712</u>

Transfers during the year ended December 31, 2015 were as follows:

Funds	Transfers In	Transfers Out
General	\$ 13,142,593	\$ 3,014,343
Capital Project	3,477,110	2,208,235
Other Governmental Funds		
Library	1,656	22,445
Municipal Recreation System	40,512	260,733
Mayo Civic Center	271,722	56,570
Airport Operations		89,394
Minnesota Bio Science Center		1,179,130
Community Development Projects Fund		23,867
Transit	1,816	125,134
Airport Hangar Construction Notes	26,394	
Facility Energy Improvements Loan	566,966	
GO Variable Rate Sales Tax Bond	149,837	
Economic Development Authority Bond	1,179,130	
Subtotal Other Governmental Funds	<u>2,238,033</u>	<u>1,757,273</u>
Subtotal Governmental Funds	18,857,736	6,979,851
Enterprise	427,702	12,103,425
Internal Service	19,700	221,862
Totals	<u>\$ 19,305,138</u>	<u>\$ 19,305,138</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amount provided as subsidies or matching funds for various grant programs, 3) payments in lieu of tax from enterprise funds.

**CITY OF ROCHESTER, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

In the government-wide statement of net position, transfers in/out are comprised of:

Governmental Funds:	
Transfer in	\$ 18,857,736
Transfers out	(6,979,851)
Internal Service Funds:	
Transfer in	19,700
Transfers out	(221,862)
Capital assets transferred from Govt- Activities to Business-type activities	(4,976,953)
Government-wide Statement of Activities - Transfers in/out	\$ 6,698,770

G. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Expenditures under these operating leases for the year ended December 31, 2015 totaled \$503,011.

Following is a schedule, by years, of estimated future minimum rental payments, for the Building Safety department's building rental at Olmsted County's campus, required under operating leases that have remaining non-cancelable lease terms in excess of one year. All scheduled rent increases are intended to cover inflationary increases or decreases in costs.

Years ending December 31:	
2016	\$ 45,540
2017	45,449
2018	45,358
2019	45,267
2020	45,177

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2015, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/15
General Obligation Bonds:				
Taxable Tax Increment Bonds				
District 7, Series 1997	\$ 2,669,380	5.5%	2024	\$ 114,787
District 36, Series 2009A	8,035,000	2.6-6.0%	2033	7,110,000
General Obligation Lodging Tax Revenue Bonds:				
Bonds, Series 2015A	42,795,000	2.5-5.0%	2035	42,795,000
General Obligation Revenue Bonds:				
Wastewater Treatment Plant				
Revenue Bonds, Series 2007A	30,455,000	4.0-5.0%	2026	23,580,000
Revenue Crossover Refunding Bonds, Series 2012A	60,840,000	4.0-5.0%	2026	60,840,000
Revenue Crossover Refunding Bonds, Series 2015B	19,805,000	5.0%	2026	19,805,000
Revenue Refunding Bonds, Series 2015D	14,156,000	Variable	2026	14,156,000
GO Taxable Build America Bonds:				
Direct Pay, Series 2010A - Public Works	26,275,000	1.0-5.15%	2036	23,770,000
Direct Pay, Series 2010A - Equipment	425,000	0.85-3.70%	2020	240,000
GO Variable Rate Sales Tax Revenue				
Bonds, Series 2015C	30,427,617	Variable	2025	30,427,617
GO Equipment Certificates				
of Indebtedness, Series 2009B	815,000	2.5-3.5%	2019	355,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2007C	76,680,000	4.0-5.0%	2030	26,060,000
Bonds, Series 2013B	38,370,000	3.0-5.0%	2043	37,700,000
Bonds, Series 2013A	3,960,000	2.0%	2017	1,605,000
Bonds, Series 2015E	39,970,000	3.0-5.0%	2030	39,970,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	8,340,000
Lease Bonds, Series 2008	6,700,000	4.71%	2033	5,645,000
Notes Payable:				
Airport Hangar - 2006	263,944	0%	2016	21,996
Energy Loan Payable	5,715,795	4.10%	2018	1,665,350
Compensated Absences				14,178,542
Post Employment Benefit Obligation				4,589,288
Less: Unamortized premium				25,701,235
Total Long-term Debt				<u>\$ 388,669,815</u>

For governmental activities, compensated absences have been generally liquidated by the general, library, and municipal recreation funds.

The post-employment benefit obligation is generally liquidated by the self-insurance internal service fund.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

In 1997, the City issued Taxable Tax Increment Bonds, District 7 totaling \$2,669,380. These bonds are structured without fixed principal maturities. Payments are equal to the amount of available tax increments received by the City within the six month period preceding each payment date. These bonds are backed by the full faith, credit, and taxing power of the City and are serviced by a Debt Service Fund. In 2009, the City issued \$8,035,000 of Taxable General Obligation Tax Increment Revenue Bonds, Series 2009A. The proceeds of the issue are to assist in the funding of the Minnesota Bio Business Center. The debt is to be repaid using tax increments and lease payments from tenants of the Business Center.

General Obligation Revenue Bonds

General Obligation Revenue Bonds are recorded as liabilities in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit and taxing power of the City. In 2012, the Sewer Utility issued \$60,840,000 of General Obligation Waste Water Revenue Crossover Refunding Bonds to refinance the 2004A Waste Water Revenue Bonds. In 2015, the Sewer Utility issued \$19,805,000 of General Obligation Waste Water Revenue Refunding Bonds to refinance the 2007A Waste Water Revenue Bonds and \$14,156,000 of General Obligation Variable Rate Waste Water Revenue Refunding Bonds to refinance the 2007B Variable Rate Demand Revenue Bonds.

Revenue Bonds – Electric Utility

Revenue Bonds are recorded as liabilities in the Electric Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Electric Utility Enterprise Fund.

Revenue Lease Bonds – Economic Development Authority

Revenue Lease Bonds issued in 2007 and 2008 by the Rochester Economic Development Authority (REDA) are payable from lease revenues paid by the City of Rochester to the REDA. The City derives the funds for these payments from subleases of the Bio Science Building that was built, at least partially, with the proceeds of this bond.

Lodging Tax Revenue Bonds

In 2015, the City issued General Obligation Lodging Tax Revenue Bonds. These bonds are backed by the full faith, credit, and taxing power of the City, however, the City does not anticipate the need to levy taxes for repayment of the Series 2015A Bonds. The City will pledge the Lodging Tax Revenues collected for repayment of the bonds, which will be sufficient to pay 105% of the debt service due on the Series 2015A bonds in each year.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

Sales Tax Revenue Bonds

In 2015, the City issued General Obligation Sales Tax Revenue Bonds. These bonds are backed by the full faith, credit and taxing power of the City. The City will pledge the Sales Tax Revenues collected for repayment of the Series 2015C bonds.

General Obligation Equipment Certificates of Indebtedness

In 2009, the City issued \$815,000 of General Obligation Equipment Certificates of Indebtedness, Series 2009B. The proceeds of the issue were used to purchase and equip two new fire trucks for the City's Equipment Revolving Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included as part of the totals for governmental activities. The bond is payable from the general tax levy and is backed by the full faith, credit and taxing power of the City.

General Obligation Taxable Build America Bonds

In 2010, the City issued \$26,700,000 of General Obligation Taxable Build America Bonds, Series 2010A. Of the issue, \$26,275,000 was used to construct a combined Public Works/Mass Transit Operations and Maintenance Center and \$425,000 was used to purchase a new fire truck for the City's Equipment Revolving Internal Service Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the totals for governmental activities. General tax levy will provide the resources for the bond repayment. The bonds are backed by the full faith, credit and taxing power of the City. City interest payable on these bonds is reimbursed to the City through a federal grant.

Notes Payable

The airport hangar notes payable are payable from airport hangar rental income.

Energy Loan Payable

In 2006, the City entered into a contract to finance certain energy efficiency improvements in the amount of \$5,715,795. The contract requires semi-annual payments of \$297,810, including interest at 4.1%. The loan matures on September 30, 2018 and is being repaid through the savings in energy costs that the improvements produce.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures and note agreements and the City remains in compliance with these requirements.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
Taxable Tax Increment Bonds					
District 7, Series 1997	\$ 540,273	\$	\$ 425,486	\$ 114,787	\$ 114,787
District 36, Series 2009A	7,355,000		245,000	7,110,000	250,000
GO Lodging Tax Revenue Bonds, Series 2015A		42,795,000		42,795,000	1,465,000
GO Equipment Certificates of Indebtedness, Series 2009B	440,000		85,000	355,000	(1) 80,000
GO Taxable Build America Bonds					
Direct Pay, Series 2010A - Public Works	24,615,000		845,000	23,770,000	855,000
Direct Pay, Series 2010A - Equipment	285,000		45,000	240,000	(1) 45,000
GO Variable Rate Sales Tax Revenue Bonds, Series 2015C		30,427,617		30,427,617	750,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	8,630,000		290,000	8,340,000	305,000
REDA Lease Revenue Bonds, Series 2008	5,840,000		195,000	5,645,000	205,000
Notes Payable:					
Airport Hangar 2006	48,390		26,394	21,996	21,996
Municipal Loan Payable:					
Energy Loan	2,176,906		511,556	1,665,350	532,745
Plus: Unamortized Premium on Bonds	60,265	3,470,728	99,174	3,431,819	
Other Liabilities:					
Compensated Absences	9,605,822	6,581,430	5,853,922	10,333,330	6,130,000
Post-Employment Benefit Obligation	3,785,372	1,048,822	244,906	4,589,288	(1)
Governmental Activities Long-term Liabilities	<u>63,382,028</u>	<u>84,323,597</u>	<u>8,866,438</u>	<u>138,839,187</u>	<u>10,754,528</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant					
Revenue Bonds, Series 2004A	70,780,000		70,780,000		
Revenue Bonds, Series 2007A	25,270,000		1,690,000	23,580,000	1,750,000
Variable Rate Demand Revenue Bonds, Series 2007B	14,100,000		14,100,000		
Revenue Crossover Refunding Series 04A Bonds, Series 2012A	60,840,000			60,840,000	4,500,000
Revenue Crossover Refunding Bonds, Series 2015B		19,805,000		19,805,000	
Revenue Refunding Bonds, Series 2015D		14,156,000		14,156,000	1,176,000
Revenue Bonds:					
Electric Utility Revenue Bonds -					
Series 2007	70,660,000		44,600,000	26,060,000	2,415,000
Series 2013B	38,370,000		670,000	37,700,000	690,000
Series 2013A	2,395,000		790,000	1,605,000	790,000
Electric Utility Revenue Refunding Bonds- Series 2015E		39,970,000		39,970,000	
Plus: Unamortized Premium	19,944,423	8,055,308	5,730,315	22,269,416	
Other Liabilities:					
Compensated Absences	3,625,494	1,874,544	1,654,826	3,845,212	2,114,703
Business-type Activities Long-term Liabilities	<u>305,984,917</u>	<u>83,860,852</u>	<u>140,015,141</u>	<u>249,830,628</u>	<u>13,435,703</u>
<b>Total</b>	<u>\$ 369,366,945</u>	<u>\$ 168,184,449</u>	<u>\$ 148,881,579</u>	<u>\$ 388,669,815</u>	<u>\$ 24,190,231</u>

(1) Debt recorded in the internal service funds.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

In 2012, the Sewer Utility issued \$60.84 million in Crossover Refunding Revenue Bonds, Series 2012A, to be used for a crossover refunding of the outstanding Series 2004A bonds, which were issued to fund the treatment plant expansion. The net proceeds of \$73.1 million (after payment of issuance costs) were used to purchase securities of the U.S. Government. Those securities were deposited into an irrevocable trust with an escrow agent to provide for three years of interest payments on the Series 2012A Bonds and the 2016-2026 maturities of the Series 2004A Bonds. The bonds were called and paid by the escrow agent in 2015.

The City completed the crossover advance refunding to reduce its total debt service payments over the next 14 years by \$8.2 million. The economic gain, reflected as the difference between the present value of the refunded debt requirements and the refunding debt requirements, will be \$6.9 million.

In 2015, the crossover refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,878,134. This difference, reported in the financial statements as a deferred refunding balance, is being amortized and charged to operations over the bond term using the interest method.

On November 17, 2015, electric utility revenue refunding bonds in the amount of \$39.97 million were issued with an average interest rate of 4.11% to advance refund \$42.295 million of outstanding bonds with an average interest rate of 4.57%. The cash flow requirements on the old bonds prior to the advance refunding was \$60,725,925 from 2016 through 2030. The cash flow requirements on the new bonds are \$54,021,746 from 2016 through 2030. The advance refunding resulted in an economic gain of \$5,227,065.

In 2015, the Sewer Utility issued \$19.8 million in Crossover Refunding Revenue Bonds, Series 2015B, to be used for a crossover refunding of the outstanding Series 2007A bonds, which were issued to fund the treatment plant expansion. The net proceeds of \$23 million (after payment of issuance costs) were used to purchase securities of the U.S. Government. Those securities were deposited into an irrevocable trust with an escrow agent to provide for three years of interest payments on the Series 2015B Bonds and the 2016-2026 maturities of the Series 2007A Bonds.

The City completed the crossover advance refunding to reduce its total debt service payments over the next 11 years by \$1.59 million. The economic gain, reflected as the difference between the present value of the refunded debt requirements and the refunding debt requirements, will be \$1.44 million.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2015, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Bonds*		Revenue Bonds		Energy Loan Payable		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2016	\$ 3,445,000	\$ 3,367,873	\$ 510,000	\$ 645,864	\$ 532,745	\$ 62,874	\$ 21,996	\$
2017	4,555,000	3,052,640	535,000	621,286	554,812	40,808		
2018	4,765,000	2,962,710	560,000	595,532	577,793	17,827		
2019	5,080,000	2,858,744	585,000	568,601				
2020	5,220,000	2,741,781	615,000	540,376				
2021-2025	35,622,617	11,685,828	3,530,000	2,229,479				
2026-2030	20,725,000	7,736,009	4,455,000	1,294,670				
2031-2035	23,740,000	2,922,398	3,195,000	230,145				
2036	1,545,000	39,784						
Totals	<u>\$ 104,697,617</u>	<u>\$ 37,367,766</u>	<u>\$ 13,985,000</u>	<u>\$ 6,725,953</u>	<u>\$ 1,665,350</u>	<u>\$ 121,509</u>	<u>\$ 21,996</u>	<u>\$</u>
	General Obligation Revenue Bonds							
	Principal	Interest						
<u>Business-Type Activities</u>								
2016	\$ 7,426,000	\$ 4,801,975	\$ 3,895,000	\$ 4,665,596				
2017	9,310,000	4,485,100	3,935,000	4,446,050				
2018	9,725,000	4,092,425	4,305,000	4,292,450				
2019	10,090,000	3,681,700	4,510,000	4,084,550				
2020	10,550,000	3,246,938	4,730,000	3,869,363				
2021-2025	59,335,000	9,034,469	27,160,000	15,843,238				
2026-2030	11,945,000	342,775	33,345,000	9,661,000				
2031-2035			7,520,000	4,735,300				
2036-2040			9,260,000	2,988,100				
2041-2043			6,675,000	678,500				
Totals	<u>\$ 118,381,000</u>	<u>\$ 29,685,381</u>	<u>\$ 105,335,000</u>	<u>\$ 55,264,147</u>				

\*Does not include the General Obligation Taxable Tax Increment Bond, District No. 7, Series 1997 which is structured without fixed principal maturities.



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2015, the City had not utilized \$152,306,450 of its net legal debt margin.

The City has issued several conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective companies to which the proceeds were remitted. The original amount of the current issues totals \$2,266,056,000 and the balance outstanding at December 31, 2015 totals \$2,238,243,528.

I. Other Post-Employment Benefits

The City provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2015 there were approximately 44 retirees participating in the City's group health plan.

The City pays for health insurance coverage for disabled police and fire fighters and their dependents (if the dependents were covered at the time of the disability) until the disabled employee reaches age 65, as required by state statute. As of January 1, 2015 there were 7 disabled police and fire fighters receiving the benefit.

The City's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

The following table shows the components of the City's annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,040,676
Interest on net OPEB obligations	170,342
Adjustment to ARC	<u>(162,197)</u>
Annual OPEB Cost	1,048,821
Contributions during the year	<u>(244,906)</u>
Increase in net OPEB obligation	803,915
Net OPEB beginning of year	<u>3,785,373</u>
Net OPEB end of year	<u><u>\$ 4,589,288</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Net OPEB Beginning of year	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 831,625	\$ 2,569,553	\$ 203,372	24.45%	\$ 3,197,806
December 31, 2014	867,526	3,197,806	279,959	32.27%	3,785,373
December 31, 2015	1,048,821	3,785,373	244,906	23.35%	4,589,288

The City has not funded the post-employment liability and therefore the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded Actuarial Accrued Liability ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
1/1/2013		\$ 6,738,892	\$ 6,738,892	0.00%	\$ 59,633,786	11.30%
1/1/2014		7,351,265	7,351,265	0.00%	61,870,053	11.88%
1/1/2015		7,938,311	7,938,311	0.00%	62,339,039	12.73%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

The schedule of funding progress included in the supplementary information is intended to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the estimated long-term investment yield on the general assets of the City using underlying long-term inflation assumption of 3% and a 3.75% annual increase in covered payroll. The annual healthcare cost trend rate is 8.0% initially, reduced incrementally to an ultimate rate of 5% after nine years. The unfunded actuarial accrued liability is being amortized as a percent of payroll over a 30-year closed amortization period.

J. Governmental Fund Balance Classifications

The City's governmental fund balances as of December 31, 2015 were classified as follows:

	General Fund	Construction Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid items	\$ 282,612	\$ 175,000	\$ 1,478	\$ 459,090
Inventory	880,888		57,534	938,422
Total Nonspendable	<u>1,163,500</u>	<u>175,000</u>	<u>59,012</u>	<u>1,397,512</u>
<u>Restricted for:</u>				
Civic music endowment	41,793			41,793
Flood control		20,843,221		20,843,221
Economic development loans		329,856		329,856
Park and recreation		106,595		106,595
Tax increment financing		3,245,560		3,245,560
Sales tax authorized projects		21,483,786		21,483,786
Airport operations			1,112,367	1,112,367
Children's playgrounds			660,185	660,185
Debt service			1,604,593	1,604,593
Total Restricted	<u>41,793</u>	<u>46,009,018</u>	<u>3,377,145</u>	<u>49,427,956</u>
<u>Committed to:</u>				
Capital improvement projects		87,499,676		87,499,676
Total Committed		<u>87,499,676</u>		<u>87,499,676</u>
<u>Assigned to:</u>				
Subsequent years budgets	219,243			219,243
Encumbrances	473,448			473,448
Library operations			2,583,084	2,583,084
Parks and recreation			2,809,699	2,809,699
Mayo Civic Center			475,589	475,589
Transit			1,372,209	1,372,209
Minnesota Bio Science Center			907,584	907,584
Total Assigned	<u>692,691</u>		<u>8,148,165</u>	<u>8,840,856</u>
<u>Unassigned</u>	<u>30,543,618</u>			<u>30,543,618</u>
Total Fund Balances	<u>\$ 32,441,602</u>	<u>\$ 133,683,694</u>	<u>\$ 11,584,322</u>	<u>\$ 177,709,618</u>

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 3: Detailed Notes on All Funds (continued)

J. Governmental Fund Balance Classifications (continued)

Encumbrances are valid and executed contracts for goods and services as of December 31, 2015 for which performance is expected in the subsequent years. Such encumbrances are included in assigned fund balance of the general fund.

K. Restricted Net Position

Governmental Activities	Restricted Net Position Imposed By			
	Grantors	Donors	Debt Service	Legally Enforceable
<u>Major Governmental Funds:</u>				
<u>General Fund:</u>				
Civic Music Endowment	\$	\$ 41,793	\$	\$
<u>Construction Improvement Fund:</u>				
Flood Control				20,843,221
Economic Development Loans	329,856			
Park and Recreation		106,595		
Tax Increment Financing				3,245,560
Sales Tax Authorized Projects				21,483,786
<u>Nonmajor Governmental Funds:</u>				
<u>Special Revenue Funds:</u>				
Children's Playgrounds	660,185			
CDBG Loans	3,377,703			
Airport Operations				1,112,367
<u>Debt Service Funds:</u>				
Debt Service			1,604,593	
Total Governmental Restricted Net Position	\$ 4,367,744	\$ 148,388	\$ 1,604,593	\$ 46,684,934
<u>Business-Type Activities</u>				
Debt Service	\$	\$	\$ 324,583	\$
CapX2020 Funds Held in Trust				683,050
Total Business-Type Restricted Net Position	\$	\$	\$ 324,583	\$ 683,050
Total Government Wide Restricted Net Position	\$ 4,367,744	\$ 148,388	\$ 1,929,176	\$ 47,367,984

L. Excess Expenditures over Appropriations

At December 31, 2015, excess of expenditures over appropriations, all the result of a planned process, were as follows:

Special Revenue Funds	Expenditures	Appropriation	Excess
Airport Operations	\$ 3,341,923	\$ 3,299,132	\$ 42,791
Edward Byrne Memorial Justice Assistance Grant Fund	24,953		24,953

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchases commercial insurance for property values in excess of the LMCIT policy limits and all other risks of loss. Settled claims have not exceeded the LMCIT or commercial coverage in any of the past three fiscal years.

The City maintains a self-insurance program for employee group health coverage and worker's compensation. The City has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Self-Insurance Fund provides coverage for up to a maximum of \$275,000 per group health claim (with a variable annual aggregate) and \$940,000 for each worker's compensation claim.

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$2,323,697 reported in the Fund at December 31, 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are based on the estimated ultimate cost of settling claims, including specific and incremental expenses, salvage, and subrogation. The claim liability does not include other allocated or unallocated claim adjustment expenses.

Changes in the Fund's claims liability amount during the years ended December 31, 2015 and 2014 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2015	\$ 1,831,532	\$ 15,729,208	\$ (15,237,043)	\$ 2,323,697
2014	1,773,492	12,581,555	(12,523,515)	1,831,532

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

B. Commitments

Power Purchase Agreement:

Rochester Public Utilities ("RPU") had two agreements with the Minnesota Municipal Power Agency (MMPA) to sell a maximum of 100 megawatts of power annually from its Silver Lake Plant to MMPA. Under the terms of the agreements, 100 megawatts of power was sold at fixed rates for providing the availability of generating capacity. The Utility was reimbursed for the fuel-related costs of generating power for one quarter of the energy production. The remaining three quarters of the energy produced was sold into the Midwest Independent System Operator (MISO) market at market-based rates under a margin-sharing arrangement. The Utility had an additional agreement with MMPA to market energy from its Cascade Creek combustion turbines (approximately 82 megawatts) into the MISO market, also under a margin-sharing arrangement. These agreements expired May 31, 2015. Effective June 1, 2015 the Utility has a Resource Management Agreement with the Energy Authority, Inc. as its market participant in the MISO energy and operating reserves market for the Cascade Creek combustion turbines.

CapX2020:

Since 2007, the Electric Utility has participated in the CapX2020 initiative, a joint initiative among Midwest utilities intended to expand the transmission grid through construction of transmission lines primarily in Minnesota, Wisconsin and the surrounding region.

In December 2012, the Utility Board and City Council approved the Project Agreements for the Utility's participation in the La Crosse Project portion of the CapX2020 initiative which consists of plans to build a 345 kilovolt (kV) line from Hampton, MN to Rochester, MN and on to La Crosse, WI. The project includes a transmission substation near Rochester where two associated 161 kV lines are routed to the Utility's Northern Hills and Chester Substations. Five utilities have an ownership interest in the La Crosse Project. The other participants in the La Crosse Project are Dairyland Power Cooperative ("DPC"), Northern States Power Company, a Minnesota corporation ("NSP-MN"), Northern States Power Company, a Wisconsin corporation ("NSP-WI"), Southern Minnesota Municipal Power Agency (SMMPA), and Wisconsin Public Power, Inc. (WPPI).

The La Crosse transmission line will improve reliability for the Twin Cities, Rochester and La Crosse areas, as well as improve access to generation in the southern part of Minnesota. The Utility is sharing in the project cost based on its load ratio shared between the five participating utilities, which is calculated to be 9% or approximately \$44.4 million. Construction began in 2013 and is expected to be completed in September 2016. NSP-MN is acting as the Construction Manager for the La Crosse Project and administers a trust account where the five participating utilities make required deposits based on expenditure plans provided by the Construction Manager, and from which the Construction Manager withdraws funds as construction expenditures occur. As of December 31, 2015 RPU had \$683,050 on deposit in the trust account.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

B. Commitments (continued)

Service Territory Settlements:

Under settlement agreements with People's Cooperative Services (PCS), the Electric Utility is required to make payments to PCS related to the acquisitions of certain electric service rights from PCS. The payment is based on kilowatt hours (kWh) sold in acquired areas and varies by each settlement agreement. The kWh compensation rate ranges from 12.73 mills (tenths of a cent) per kWh to 16.46 mills per kWh. These commitments expire over various periods with a maximum term of ten years for each acquisition. Costs are recognized under these agreements as service is provided and are recorded as a regulatory asset for utility rate-making purposes under the provisions of GASB Statement No. 62 and amortized over 40 years.

Southern Minnesota Municipal Power Agency:

The Electric Utility is a voting member of the Southern Minnesota Municipal Power Agency (SMMPA). The Utility has entered into a power purchase contract with SMMPA, whereby SMMPA will provide all Utility power requirements up to 216 megawatts, the contract rate of delivery. This contract expires in the year 2030. In 1999, the Utility and SMMPA agreed to a contract rate of delivery (CROD) that began in 2000. The CROD caps the amount of power SMMPA must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The Utility purchased 1,220,607,409 and 1,230,433,003 kilowatt hours totaling \$85,873,398 and \$86,967,411 from SMMPA during the years ended December 31, 2015 and 2014, respectively. The Utility leases a portion of its electrical transmission system, known as the North Loop, to SMMPA under a noncancelable operating lease through the year 2030. The Utility is responsible for all operating and maintenance costs. The Utility received a lump sum payment of \$1,500,000 in 1989 and lease revenues are being recognized ratably over the lease term.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

C. Commitments (continued)

Purchase Commitments/Encumbrances:

The City has active construction projects and equipment purchase commitments. As of December 31, 2015, the City's commitments with contractors and vendors were as follows:

<u>Construction Projects</u>	<u>Remaining Commitment</u>
Major Street Projects	\$ 808,830
Sewer and Water Projects	514,814
Sidewalk Projects	709,597
Traffic Projects	2,614,821
Bridge Projects	241,941
Storm Water / Storm Sewer Projects	332,395
Water Reclamation Projects	151,593
Parking Ramp Rehabilitation	533,475
Airport Projects	2,734,497
Civic Center Improvements	49,805,782
Recreation Center	7,137,852
Parks Projects - Various	81,256
PWTOC Building/Site Improvements	128,700
Building Work - City Hall	1,371,901
Total Construction Projects	\$ 67,167,454
<u>Equipment Purchase Commitments</u>	
Extreme Port	\$ 3,928
GIS Work Management Software	144,408
LEC Electronic Citation System	264,316
Police Tasers	3,956
Park & Rec Management Software	69,682
Transit Vehicle Location System	319,339
Electronic Fareboxes	3,150
Buses	2,217,365
Total Equipment Purchase Commitments	\$ 3,026,144
<u>General Fund Encumbrances</u>	
General Fund Equipment Purchase Commitments	\$ 473,448
Total General Fund Encumbrances	\$ 473,448



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

D. Contingent Liabilities

General Litigation:

There are several pending lawsuits in which the City is involved. It is the opinion of management that substantially all of these claims would be covered by the liability insurance of the City and that potential claims against the City would not materially affect the financial statements.

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Neighborhood Stabilization Program, Federal Transit, and Airport Improvement programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2015, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

E. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is generally not available to employees until termination, retirement, death, or unforeseeable emergency.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF) – All full-time and certain part-time employees of the City of Rochester are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF) – The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases. The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$3,212,117. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City's was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$3,140,595. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. GERS Pension Costs

At December 31, 2015, the City reported a liability of \$38,402,466 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.7410% at the end of the measurement period and 0.8134% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$4,268,707 for its proportionate share of the GERS's pension expense.

At December 31, 2015, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 1,936,137
Difference between projected and actual investment earnings	3,635,383	
Changes in proportion		2,550,742
Contributions paid to PERA subsequent to the measurement date	1,795,874	
Total	<u>\$ 5,431,257</u>	<u>\$ 4,486,879</u>

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

Included in deferred outflows of resources related to pensions is \$1,795,874 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2016	\$ (586,780)
2017	(586,780)
2018	(586,781)
2019	908,845

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$24,735,814 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 2.177% at the end of the measurement period and 2.160% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$4,293,167 for its proportionate share of the PEPFF's pension expense. The City also recognized \$195,930 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 4,011,340
Difference between projected and actual investment earnings	4,309,807	
Changes in proportion	153,006	
Contributions paid to PERA subsequent to the measurement date	1,795,510	
Total	\$ 6,258,323	\$ 4,011,340

Included in deferred outflows of resources related to pensions is \$1,795,510 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2016	\$ 305,785
2017	305,785
2018	305,785
2019	305,784
2020	(771,666)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%	Per year
Active Member Payroll Growth	3.50%	Per year
Investment Rate of Return	7.90%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2015**

NOTE 4: Other Information (continued)

F. Employee Retirement Systems (continued)

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERF net pension liability	\$ 60,382,326	\$ 38,402,466	\$ 20,250,478
City's proportionate share of the PEPFF net pension liability	48,210,362	24,735,814	5,341,748
Total	\$108,592,688	\$ 63,138,280	\$ 25,592,226

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.



**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 5: Change in Accounting Standards

During the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Restatement of all prior periods presented is not practical, therefore the cumulative effect of applying these statements is reported as a restatement of beginning net position for the current period.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

Activities/Fund	Net Position December 31, 2014, as Previously Reported	Restatement for Net Pension Liability	Net Position December 31, 2014, as Restated
Governmental Activities	\$ 752,022,334	\$ (40,704,168)	\$ 711,318,166
Business-Type Activities	\$ 423,507,938	\$ (15,117,006)	\$ 408,390,932
Proprietary Funds:			
Parking Fund	\$ 43,267,061	\$ (219,844)	\$ 43,047,217
Electric Utility Fund	124,655,896	(11,203,307)	113,452,589
Water Utility Fund	95,583,933	(1,393,177)	94,190,756
Sewer Utility Fund	90,734,457	(1,928,195)	88,806,262
Stormwater Utility Fund	65,154,054	(372,483)	64,781,571
	<u>\$ 419,395,401</u>	<u>\$ (15,117,006)</u>	<u>\$ 404,278,395</u>

NOTE 6: Accounting for the Effects of Rate Regulation

The Electric and Water funds are subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 10, 1989 FASB and AICPA Pronouncements*. In order for a rate-regulated entity to continue to apply the provisions of GASB Statement No. 62, it must continue to meet the criteria as outlined by the Statement. Based upon the Utilities' management evaluation of the criteria in relation to its operations, and the effect of competition on its ability to recover its costs, the Electric and Water funds believe that GASB Statement No. 62 continues to apply.

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2015**

NOTE 7: Subsequent Events

On March 29, 2016, the Utility Board approved the terms of an agreement for a tax-exempt draw down loan facility with US Bank for up to \$25 million with a term of two years from the date of closing. The facility allows RPU to make monthly draws incurring interest expense at a variable rate of 70% of the One Month London Interbank Offered Rate (LIBOR) plus 38.0 basis points on the accumulated total. RPU will pay a facility fee of 28.0 basis points for the unused portion of the facility. The closing date for the arrangement will be on or before April 19, 2016. This debt will be used to fund the initial stages of construction of a new 49 mW generation facility known as the Westside Energy Station as well as any remaining expenditures on the CapX2020 Transmission Line in excess of the remaining proceeds from the 2013B bond issue. The new debt is secured by a pledge of and lien on the Net Revenues of the Electric System, subordinate to the Senior Electric Utility Revenue Bonds, both previously issued and any issued in the future.

On October 27, 2015, the Utility Board approved the purchase of Wärtsilä engines as part of the Westside Energy Station. 83% of the purchase price is denominated in Euro's. On February 18, 2016 the Electric Utility executed a foreign exchange forward contract to hedge the currency risk related to the engine purchase. Under the terms of the agreement, the Electric Utility will deliver US \$17,000,000 to the Swap Provider on March 1, 2017 in exchange for receiving 15,078,943 Euro's.

**CITY OF ROCHESTER, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

**CITY OF ROCHESTER, MINNESOTA**  
**Schedules of City Contributions**  
**December 31, 2015**

**Schedule of City Contributions**  
**PERA General Employees Retirement Fund**  
**Last Ten Years\***

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 3,212,117	\$ 3,212,117	\$	\$ 46,112,718	7.0%

**Schedule of City Contributions**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years\***

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 3,140,595	\$ 3,140,595	\$	\$ 20,924,808	15.0%

\* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

**CITY OF ROCHESTER, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2015**

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Fund**  
**Last Ten Years\***

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll** (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.7410%	\$ 38,402,466	\$ 46,112,718	83.3%	78.2%

**Schedule of Proportionate Share of Net Pension Liability**  
**PERA Public Employees Police and Fire Fund Pension Plan**  
**Last Ten Years\***

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll** (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll(a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2.177%	\$ 24,735,814	\$ 20,924,808	118.2%	86.6%

\* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

\*\*For purposes of this schedule, covered payroll is defined as "pensionable wages."

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS**  
**December 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded Actuarial Accrued Liability ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
1/1/2013	\$	\$ 6,738,892	\$ 6,738,892	0.00%	\$ 59,633,786	11.30%
1/1/2014		7,351,265	7,351,265	0.00%	61,870,053	11.88%
1/1/2015		7,938,311	7,938,311	0.00%	62,339,039	12.73%

See Note 3I, Post-Employment Benefits, for more information.

**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR**  
**FUND STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2015**

# CITY OF ROCHESTER, MINNESOTA

## NONMAJOR FUNDS

DECEMBER 31, 2015

### SPECIAL REVENUE FUNDS

#### **Library Fund:**

The Library Fund was established in 1968 by Council resolution to account for all gifts, donations and contributions, all fees and such other monies collected from the operation of the Library and all taxes levied by the Common Council for Library purposes.

#### **Municipal Recreation System Fund:**

This fund was created by Council resolution, under the authority of City Charter Chapter XI to account for the activities of the Park and Recreation System.

#### **Mayo Civic Center Fund:**

This fund was created by Council resolution, under the authority of City Charter Chapter XI to account for the activities of the Mayo Civic Center.

#### **Edward Byrne Memorial JAG Fund:**

This fund was established in 1996, as required by the Department of Justice, to account for grant revenues and eligible expenditures.

#### **Airport Operations Fund:**

This fund was established in 1998 by Council resolution to account for the revenues and expenditures of the Rochester International Airport operations.

#### **The F.E. Williams Estate Fund:**

This fund was established to account for the gift of property made by Mr. Frank E. Williams to be used "for the acquiring of or the support of, or the maintenance of a playground or playgrounds, for children under 15 years of age."

**Transit Fund:** This fund was established to account for the financial resources received for the support of regular route, dial-a-ride and rideshare services.

**Minnesota Bio Science Center Fund:** This fund was established to account for collection of lease payments of the Bio Business Center building.

#### **Community Development Projects Fund:**

This fund was established to account for the financial resources received under Title I of the Housing and Community Development Act of 1974.

### DEBT SERVICE FUNDS

#### **Tax Increment Bonds Fund:**

These funds are used to account for the accumulation of resources (tax increment revenue) for payment of tax increment general obligation bonds and interest.



# CITY OF ROCHESTER, MINNESOTA

## NONMAJOR FUNDS

DECEMBER 31, 2015

### DEBT SERVICE FUNDS (continued)

#### **Airport Hangar Construction Notes Fund:**

These funds are used to account for the accumulation of resources (hangar rental income) for payment of airport hangar construction notes.

#### **Facility Energy Improvements Loan Fund:**

This fund is used to account for the resources provided in the annual appropriations for operating departments to repay the amount borrowed under an energy improvement loan to fund facility energy improvements.

#### **Economic Development Authority Bond Fund:**

This fund is used to account for the accumulation of resources (transfers from the City of Rochester of sublease revenues) for payment of the 2007 Revenue Lease Bond issued by the Rochester Economic Development Authority.

#### **Public Works and Transit Operation Center Bond Fund:**

This fund is used to account for the accumulation of resources for payment of the taxable general obligation Series 2010A Build America Bonds.

#### **Lodging Tax Revenue Bond Fund:**

These funds are used to account for the accumulation of resources (lodging tax revenue) for payment of lodging tax general obligation bonds and interest.

#### **GO Variable Rate Sales Tax Bond Fund:**

These funds are used to account for the accumulation of resources (sales tax revenue) for payment of sales tax general obligation bonds and interest.

**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2015

	Special Revenue								
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Minnesota Bio Science Center	Community Development Projects
<b>ASSETS</b>									
Cash and cash equivalents	\$ 23,880	\$	\$ 396,025	\$	\$ 153,510	\$ 4,990	\$ 5,256	\$	\$
Investments	2,750,000	3,062,140	180,700		335,700	599,300	913,000	691,850	
Accrued interest receivable	6,529	7,812	383		812	1,370	2,135	1,800	
Accounts receivable (net of allowance for uncollectibles)		337,745	113,659		691,830		174,133	214,251	
Loans receivable									3,377,703
Taxes receivable delinquent	52,384	56,147			3,236		2,599		
Special assessments receivable delinquent		40,739							
Due from other funds			665						
Advances to other funds						54,525			
Due from other governmental units	30,889	149,345	308,855	9,793	54,493		372,164		340,248
Prepaid items	1,478								
Restricted cash and investments									
Inventory		2,389	39,086				16,059		
<b>TOTAL ASSETS</b>	<b>\$ 2,865,160</b>	<b>\$ 3,656,317</b>	<b>\$ 1,039,373</b>	<b>\$ 9,793</b>	<b>\$ 1,239,581</b>	<b>\$ 660,185</b>	<b>\$ 1,485,346</b>	<b>\$ 907,901</b>	<b>\$ 3,717,951</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 56,427	\$ 174,229	\$ 112,408	\$	\$ 88,562	\$	\$ 89,085	\$	\$ 90,853
Deposits payable	6,817	309,927	268,974						
Accrued compensation and payroll taxes	145,865	140,399	46,180				2,512		
Due to other funds	6,496	75,663	41,684	9,793	25,355		367		224,741
Advances from other funds									
Unearned revenue		2,405	2,290						
Due to other governmental units	12,609	44,720	53,162		10,061		2,515	317	24,654
<b>Total Liabilities</b>	<b>228,214</b>	<b>747,343</b>	<b>524,698</b>	<b>9,793</b>	<b>123,978</b>		<b>94,479</b>	<b>317</b>	<b>340,248</b>
<b>Deferred Inflows of Resources:</b>									
Unavailable revenue									
Property taxes	52,384	56,147			3,236		2,599		
Special assessments		40,739							
Loans receivable									3,377,703
<b>Total Deferred Inflows of Resources</b>	<b>52,384</b>	<b>96,886</b>			<b>3,236</b>		<b>2,599</b>		<b>3,377,703</b>
<b>Fund Balance:</b>									
Nonspendable	1,478	2,389	39,086				16,059		
Restricted					1,112,367	660,185			
Assigned	2,583,084	2,809,699	475,589				1,372,209	907,584	
<b>Total Fund Balance</b>	<b>2,584,562</b>	<b>2,812,088</b>	<b>514,675</b>		<b>1,112,367</b>	<b>660,185</b>	<b>1,388,268</b>	<b>907,584</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,865,160</b>	<b>\$ 3,656,317</b>	<b>\$ 1,039,373</b>	<b>\$ 9,793</b>	<b>\$ 1,239,581</b>	<b>\$ 660,185</b>	<b>\$ 1,485,346</b>	<b>\$ 907,901</b>	<b>\$ 3,717,951</b>

Total	Debt Service								Total Nonmajor Governmental Funds
	Tax Increment Bonds	Airport Hangar Construction Notes	Facility Energy Improvements Loan	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Total	
\$ 583,661	\$	\$ 2,200	\$ 132,390	\$ 69,249	\$ 1,391,435	\$	\$	\$ 1,595,274	\$ 2,178,935
8,532,690									8,532,690
20,841			277		2,908	72		3,257	24,098
1,531,618									1,531,618
3,377,703									3,377,703
114,366					14,723			14,723	129,089
40,739									40,739
665									665
54,525									54,525
1,265,787					8,891			8,891	1,274,678
1,478									1,478
57,534				3,074,158		58,200		3,132,358	3,132,358
<u>\$ 15,581,607</u>	<u>\$</u>	<u>\$ 2,200</u>	<u>\$ 132,667</u>	<u>\$ 3,143,407</u>	<u>\$ 1,417,957</u>	<u>\$ 58,272</u>	<u>\$</u>	<u>\$ 4,754,503</u>	<u>\$ 20,336,110</u>
\$ 611,564	\$	\$	\$	\$	\$	\$	\$	\$	\$ 611,564
585,718									585,718
334,956									334,956
384,099				3,135,187				3,135,187	3,135,187
4,695									4,695
148,038									148,038
<u>2,069,070</u>				<u>3,135,187</u>				<u>3,135,187</u>	<u>5,204,257</u>
114,366					14,723			14,723	129,089
40,739									40,739
3,377,703									3,377,703
<u>3,532,808</u>					<u>14,723</u>			<u>14,723</u>	<u>3,547,531</u>
59,012									59,012
1,772,552		2,200	132,667	8,220	1,403,234	58,272		1,604,593	3,377,145
8,148,165									8,148,165
<u>9,979,729</u>		<u>2,200</u>	<u>132,667</u>	<u>8,220</u>	<u>1,403,234</u>	<u>58,272</u>		<u>1,604,593</u>	<u>11,584,322</u>
<u>\$ 15,581,607</u>	<u>\$</u>	<u>\$ 2,200</u>	<u>\$ 132,667</u>	<u>\$ 3,143,407</u>	<u>\$ 1,417,957</u>	<u>\$ 58,272</u>	<u>\$</u>	<u>\$ 4,754,503</u>	<u>\$ 20,336,110</u>

**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2015

	Special Revenue								
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Minnesota Bio Science Center	Community Development Projects
<b>REVENUES</b>									
General property taxes	\$ 5,728,672	\$ 6,223,283	\$ 4,580	\$	\$ 404,199	\$	\$ 326,895	\$	\$
Tax increments									
Nonproperty tax			1,284,451						
Intergovernmental revenues	925,173	44,571		24,953	79,495		5,262,082		576,068
Charges for services	173,513	3,701,117	2,780,890		1,560,034		2,266,823		
Interest earnings	11,858	14,158	(2,222)		4,202	5,905	1,790	3,347	
Net increase (decrease) in the fair value of investments	(3,600)	(4,900)	(1,000)		(1,400)	(800)	(2,600)	(700)	
Rental revenues					1,493,370			2,471,849	
Miscellaneous revenues	276,693	92,282	22,323		6,978		122,962		203,211
<b>Total Revenues</b>	<b>7,112,309</b>	<b>10,070,511</b>	<b>4,089,022</b>	<b>24,953</b>	<b>3,546,878</b>	<b>5,105</b>	<b>7,977,952</b>	<b>2,474,496</b>	<b>779,279</b>
<b>EXPENDITURES</b>									
Culture	6,926,318								
Park and recreation/Mayo Civic Center		9,755,551	3,769,519						
Public safety				24,953					
Airport operations					3,341,923				
Transit							7,120,532		
Economic development/tourism								1,270,338	755,412
Debt service									
<b>Total Expenditures</b>	<b>6,926,318</b>	<b>9,755,551</b>	<b>3,769,519</b>	<b>24,953</b>	<b>3,341,923</b>		<b>7,120,532</b>	<b>1,270,338</b>	<b>755,412</b>
Excess (deficiency) of revenues over (under) expenditures	185,991	314,960	319,503		204,955	5,105	857,420	1,204,158	23,867
<b>OTHER FINANCING SOURCES (USES)</b>									
Issuance of debt									
Transfers in	1,656	40,512	271,722				1,816		
Transfers out	(22,445)	(260,733)	(56,570)		(89,394)		(125,134)	(1,179,130)	(23,867)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,789)</b>	<b>(220,221)</b>	<b>215,152</b>		<b>(89,394)</b>		<b>(123,318)</b>	<b>(1,179,130)</b>	<b>(23,867)</b>
<b>Net change in fund balances</b>	<b>165,202</b>	<b>94,739</b>	<b>534,655</b>		<b>115,561</b>	<b>5,105</b>	<b>734,102</b>	<b>25,028</b>	
Fund Balances - beginning	2,419,360	2,717,349	(19,980)		996,806	655,080	654,166	882,556	
<b>Fund Balances - ending</b>	<b>\$ 2,584,562</b>	<b>\$ 2,812,088</b>	<b>\$ 514,675</b>	<b>\$</b>	<b>\$ 1,112,367</b>	<b>\$ 660,185</b>	<b>\$ 1,388,268</b>	<b>\$ 907,584</b>	<b>\$</b>

Total	Debt Service							Total	Total Nonmajor Governmental Funds
	Tax Increment Bonds	Airport Hangar Construction Notes	Facility Energy Improvements Loan	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond		
\$12,687,629	\$ 1,088,491	\$	\$	\$	\$ 1,652,239	\$	\$	\$ 1,652,239	\$14,339,868
1,284,451								1,088,491	1,088,491
6,912,342					339,370			339,370	1,284,451
10,482,377									7,251,712
39,038			1,047	4,757	6,731	896	(41)	13,390	10,482,377
(15,000)									52,428
3,965,219									(15,000)
724,449									3,965,219
36,080,505	1,088,491		1,047	4,757	1,998,340	896	(41)	3,093,490	724,449
									39,173,995
6,926,318									6,926,318
13,525,070									13,525,070
24,953									24,953
3,341,923									3,341,923
7,120,532									7,120,532
2,025,750				22,509				22,509	2,048,259
	1,088,491	26,394	595,619	1,154,330	1,900,091	208,352	149,796	5,123,073	5,123,073
32,964,546	1,088,491	26,394	595,619	1,176,839	1,900,091	208,352	149,796	5,145,582	38,110,128
3,115,959		(26,394)	(594,572)	(1,172,082)	98,249	(207,456)	(149,837)	(2,052,092)	1,063,867
315,706		26,394	566,966	1,179,130		265,728		265,728	265,728
(1,757,273)							149,837	1,922,327	2,238,033
(1,441,567)		26,394	566,966	1,179,130		265,728	149,837	2,188,055	746,488
1,674,392			(27,606)	7,048	98,249	58,272		135,963	1,810,355
8,305,337		2,200	160,273	1,172	1,304,985			1,468,630	9,773,967
\$ 9,979,729	\$	\$ 2,200	\$ 132,667	\$ 8,220	\$ 1,403,234	\$ 58,272	\$	\$ 1,604,593	\$11,584,322

**CITY OF ROCHESTER, MINNESOTA**  
**LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$5,740,271	\$5,740,271	\$5,728,672	\$ (11,599)
Intergovernmental	875,032	925,173	925,173	
Charges for services	162,300	162,300	173,513	11,213
Interest earnings	8,000	12,972	11,858	(1,114)
Net increase (decrease) in the fair value of investments	(3,000)	(3,000)	(3,600)	(600)
Miscellaneous revenues				
Contributions		271,444	271,444	
Other	4,500	9,012	5,249	(3,763)
Total Revenues	<u>6,787,103</u>	<u>7,118,172</u>	<u>7,112,309</u>	<u>(5,863)</u>
<b>EXPENDITURES</b>				
Public Library	6,767,555	6,803,250	6,707,739	95,511
Gifts appropriations		896,108	218,579	677,529
Total Expenditures	<u>6,767,555</u>	<u>7,699,358</u>	<u>6,926,318</u>	<u>773,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,548</u>	<u>(581,186)</u>	<u>185,991</u>	<u>767,177</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,656	1,656	
Transfers out	(22,445)	(22,445)	(22,445)	
Total Other Financing Sources (Uses)	<u>(22,445)</u>	<u>(20,789)</u>	<u>(20,789)</u>	
Net change in fund balance	(2,897)	(601,975)	165,202	767,177
Fund Balance - beginning	<u>2,419,360</u>	<u>2,419,360</u>	<u>2,419,360</u>	
Fund Balance - ending	<u><u>\$2,416,463</u></u>	<u><u>\$1,817,385</u></u>	<u><u>\$2,584,562</u></u>	<u><u>\$ 767,177</u></u>

**CITY OF ROCHESTER, MINNESOTA  
MUNICIPAL RECREATION SYSTEM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 6,236,358	\$ 6,236,358	\$6,223,283	\$ (13,075)
Intergovernmental	31,742	31,742	44,571	12,829
Charges for services	3,783,820	3,815,325	3,701,117	(114,208)
Interest earnings	11,950	11,950	14,158	2,208
Net increase (decrease) in the fair value of investments	(4,300)	(4,300)	(4,900)	(600)
Miscellaneous revenues				
Contributions	16,000	16,247	18,628	2,381
Other	96,300	104,502	73,654	(30,848)
Total Revenues	<u>10,171,870</u>	<u>10,211,824</u>	<u>10,070,511</u>	<u>(141,313)</u>
<b>EXPENDITURES</b>				
Administration	420,613	420,613	461,244	(40,631)
Recreation Department	720,338	751,047	690,578	60,469
Golf	1,470,895	1,525,759	1,428,541	97,218
Tennis Center	46,477	46,477	45,823	654
Volleyball Center	330,025	331,841	333,287	(1,446)
Swimming Pools	190,876	191,012	234,770	(43,758)
Graham Arenas	689,301	689,301	676,065	13,236
Park	4,651,291	4,695,710	4,640,918	54,792
Plummer House	83,361	83,361	63,841	19,520
Recreation Center	1,321,642	1,321,642	1,180,484	141,158
Total Expenditures	<u>9,924,819</u>	<u>10,056,763</u>	<u>9,755,551</u>	<u>301,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,051</u>	<u>155,061</u>	<u>314,960</u>	<u>159,899</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		40,512	40,512	
Transfers out	(250,733)	(250,733)	(260,733)	(10,000)
Total Other Financing Sources (Uses)	<u>(250,733)</u>	<u>(210,221)</u>	<u>(220,221)</u>	<u>(10,000)</u>
Net change in fund balance	(3,682)	(55,160)	94,739	149,899
Fund Balance - beginning	<u>2,717,349</u>	<u>2,717,349</u>	<u>2,717,349</u>	
Fund Balance - ending	<u>\$ 2,713,667</u>	<u>\$ 2,662,189</u>	<u>\$ 2,812,088</u>	<u>\$ 149,899</u>

**CITY OF ROCHESTER, MINNESOTA**  
**MAYO CIVIC CENTER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 4,580	\$ 4,580	\$ 4,580	\$
Nonproperty taxes	1,152,602	1,152,602	1,284,451	131,849
Charges for services	2,709,330	2,709,330	2,780,890	71,560
Interest earnings	(2,320)	(2,320)	(2,222)	98
Net decrease in the fair value of investments			(1,000)	(1,000)
Other	28,219	28,219	22,323	(5,896)
Total Revenues	3,892,411	3,892,411	4,089,022	196,611
<b>EXPENDITURES</b>				
Mayo Civic Center	3,835,841	3,837,571	3,769,519	68,052
Excess (deficiency) of revenues over (under) expenditures	56,570	54,840	319,503	264,663
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			271,722	271,722
Transfers out	(56,570)	(56,570)	(56,570)	
Total Other Financing Sources (Uses)	(56,570)	(56,570)	215,152	271,722
Net change in fund balance		(1,730)	534,655	536,385
Fund Balance - beginning	(19,980)	(19,980)	(19,980)	
Fund Balance - ending	\$ (19,980)	\$ (21,710)	\$ 514,675	\$ 536,385



**CITY OF ROCHESTER, MINNESOTA**  
**EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>2015 Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$ 24,953	\$ 24,953
<b>EXPENDITURES</b>				
Public Safety				
Law enforcement block grant			24,953	(24,953)
Excess (deficiency) of revenues over (under) expenditures				
Fund Balance - beginning				
Fund Balance - ending	\$	\$	\$	\$

**CITY OF ROCHESTER, MINNESOTA**  
**AIRPORT OPERATIONS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 470,000	\$ 405,819	\$ 404,199	\$ (1,620)
Intergovernmental	227,252	227,252	79,495	(147,757)
Charges for services	1,625,558	1,625,558	1,560,034	(65,524)
Interest earnings	5,000	1,000	4,202	3,202
Net decrease in the fair value of investments	(700)	(700)	(1,400)	(700)
Rental revenues	1,290,643	1,354,824	1,493,370	138,546
Miscellaneous revenues			6,978	6,978
Total Revenues	<u>3,617,753</u>	<u>3,613,753</u>	<u>3,546,878</u>	<u>(66,875)</u>
<b>EXPENDITURES</b>				
Airport operations	3,134,132	3,134,132	3,178,312	(44,180)
US customs operations	165,000	165,000	163,611	1,389
Total Expenditures	<u>3,299,132</u>	<u>3,299,132</u>	<u>3,341,923</u>	<u>(42,791)</u>
Excess (deficiency) of revenues over (under) expenditures	318,621	314,621	204,955	(109,666)
<b>OTHER FINANCING USES</b>				
Transfers out	(89,394)	(89,394)	(89,394)	
Net change in fund balance	229,227	225,227	115,561	(109,666)
Fund Balance - beginning	996,806	996,806	996,806	
Fund Balance - ending	<u>\$ 1,226,033</u>	<u>\$ 1,222,033</u>	<u>\$ 1,112,367</u>	<u>\$ (109,666)</u>

**CITY OF ROCHESTER, MINNESOTA**  
**F. E. WILLIAMS ESTATE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2015

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest earnings	\$ 5,000	\$ 5,000	\$ 5,905	\$ 905
Net increase (decrease) in the fair value of investments	(1,500)	(1,500)	(800)	700
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>5,105</u>	<u>1,605</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out				
Net change in fund balance	3,500	3,500	5,105	1,605
Fund Balance - beginning	<u>655,080</u>	<u>655,080</u>	<u>655,080</u>	
Fund Balance - ending	<u>\$ 658,580</u>	<u>\$ 658,580</u>	<u>\$ 660,185</u>	<u>\$ 1,605</u>

**CITY OF ROCHESTER, MINNESOTA  
TRANSIT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2015**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 328,402	\$ 328,402	\$ 326,895	\$ (1,507)
Intergovernmental revenues	4,911,064	4,911,064	5,262,082	351,018
Charges for services	2,295,800	2,295,800	2,266,823	(28,977)
Interest earnings	1,500	1,500	1,790	290
Net increase (decrease) in the fair value of investments	(700)	(700)	(2,600)	(1,900)
Miscellaneous revenues	100,000	102,451	122,962	20,511
Total Revenues	<u>7,636,066</u>	<u>7,638,517</u>	<u>7,977,952</u>	<u>339,435</u>
<b>EXPENDITURES</b>				
Fixed route	6,825,874	6,835,143	6,284,366	550,777
Demand response - ZIPS	810,192	810,192	836,166	(25,974)
Total Expenditures	<u>7,636,066</u>	<u>7,645,335</u>	<u>7,120,532</u>	<u>524,803</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(6,818)</u>	<u>857,420</u>	<u>864,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		1,816	1,816	
Transfers out		(125,134)	(125,134)	
Total Other Financing Sources (Uses)		<u>(123,318)</u>	<u>(123,318)</u>	
Net change in fund balance		(130,136)	734,102	864,238
Fund Balance - beginning	654,166	654,166	654,166	
Fund Balance - ending	<u>\$ 654,166</u>	<u>\$ 524,030</u>	<u>\$ 1,388,268</u>	<u>\$ 864,238</u>

**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES (CONTINUED)**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2015**

Internal Service Funds are used to account for the financing of goods or services provided for various departments of the City on a cost-reimbursement basis. The accrual basis of accounting is used. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Equipment Revolving Fund:**

This fund was created by Council resolution for the purchase and replacement of equipment. City departments pay rental charges to the Equipment Revolving Fund for equipment used in providing services.

**Information Technology Revolving Fund:**

This fund provides for the purchase and upgrading of computer equipment and base-system software; and maintenance of current computer hardware. User charges are assessed against City departments using the computer equipment.

**Self-Insurance Fund:**

This fund was established by Council resolution, under the authority of City Charter Chapter XI, to account for the City's self-insurance program which includes group life and health, workers' compensation and deductible property loss.

**CITY OF ROCHESTER, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
December 31, 2015

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 44,254	\$ 35,172	\$ 268,417	\$ 347,843
Investments	5,288,400	4,199,700	32,051,000	41,539,100
Accounts receivable	29,834		87,271	117,105
Accrued interest receivable	12,510	9,902	75,838	98,250
Taxes receivable delinquent	1,423	1,650		3,073
Due from other governmental units	1,774	1,031		2,805
Total Current Assets	<u>5,378,195</u>	<u>4,247,455</u>	<u>32,482,526</u>	<u>42,108,176</u>
Noncurrent Assets:				
Capital assets:				
Construction in process	883,804			883,804
Machinery and equipment	31,427,829	2,086,307		33,514,136
Less: Accumulated depreciation	(19,309,901)	(1,622,373)		(20,932,274)
Total capital assets (net of accumulated depreciation)	<u>13,001,732</u>	<u>463,934</u>		<u>13,465,666</u>
Total Assets	<u>18,379,927</u>	<u>4,711,389</u>	<u>32,482,526</u>	<u>55,573,842</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	140,073	80,241	75,991	296,305
Accrued interest payable	7,786			7,786
Deposits payable			15,686	15,686
Accrued compensation and payroll taxes			452	452
Unearned revenue			87,171	87,171
Due to other governmental units			83,026	83,026
Accrued claims			1,290,869	1,290,869
Bonds payable	125,000			125,000
Total Current Liabilities	<u>272,859</u>	<u>80,241</u>	<u>1,553,195</u>	<u>1,906,295</u>
Noncurrent Liabilities:				
Bonds payable	470,000			470,000
Accrued claims			1,032,828	1,032,828
Post employment benefit obligation			4,589,288	4,589,288
Total Noncurrent Liabilities	<u>470,000</u>		<u>5,622,116</u>	<u>6,092,116</u>
Total Liabilities	<u>742,859</u>	<u>80,241</u>	<u>7,175,311</u>	<u>7,998,411</u>
<b>NET POSITION</b>				
Net investment in capital assets	12,406,732	463,934		12,870,666
Unrestricted	5,230,336	4,167,214	25,307,215	34,704,765
Total Net Position	<u>\$ 17,637,068</u>	<u>\$ 4,631,148</u>	<u>\$ 25,307,215</u>	<u>\$ 47,575,431</u>

**CITY OF ROCHESTER, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
For the Year Ended December 31, 2015

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Total
Operating Revenues:				
Charges for Services:				
Equipment rental	\$ 2,549,278	\$ 986,780	\$	\$ 3,536,058
Copy center charges	25,808			25,808
Departmental workers' compensation charges			497,462	497,462
Departmental insurance charges	6,735		14,117,022	14,123,757
Departmental flex charges			12,276	12,276
Employee insurance charges			557,227	557,227
Employee flex benefit contributions			474,847	474,847
Total Operating Revenues	<u>2,581,821</u>	<u>986,780</u>	<u>15,658,834</u>	<u>19,227,435</u>
Operating Expenses:				
Copy center	15,566			15,566
Minor equipment		220,026		220,026
Workers' compensation benefits			442,297	442,297
Workers' compensation insurance premiums			74,648	74,648
Health insurance claims			17,151,355	17,151,355
Flex benefits			576,564	576,564
Property and liability insurance			578,797	578,797
Property and liability claims			22,987	22,987
Other	2,004	330,730		332,734
Depreciation	2,564,494	186,420		2,750,914
Total Operating Expenses	<u>2,582,064</u>	<u>737,176</u>	<u>18,846,648</u>	<u>22,165,888</u>
Operating Income (Loss)	<u>(243)</u>	<u>249,604</u>	<u>(3,187,814)</u>	<u>(2,938,453)</u>
Nonoperating Revenues (Expenses):				
General property taxes	147,818	191,316		339,134
Interest earnings	43,475	30,096	257,015	330,586
Net increase (decrease) in the fair value of investments	(2,400)	(7,800)	(31,400)	(41,600)
Interest and fiscal charges	(18,977)			(18,977)
Gain on disposal of property	122,152			122,152
Other		2,087	57	2,144
Intergovernmental revenues	2,302			2,302
Total Nonoperating Revenues	<u>294,370</u>	<u>215,699</u>	<u>225,672</u>	<u>735,741</u>
Income Before Transfers	294,127	465,303	(2,962,142)	(2,202,712)
Transfers in		19,700		19,700
Transfers out		(74,775)	(147,087)	(221,862)
Change in Net Position	294,127	410,228	(3,109,229)	(2,404,874)
Total Net Position - beginning	<u>17,342,941</u>	<u>4,220,920</u>	<u>28,416,444</u>	<u>49,980,305</u>
Total Net Position - ending	<u>\$ 17,637,068</u>	<u>\$ 4,631,148</u>	<u>\$ 25,307,215</u>	<u>\$ 47,575,431</u>

**CITY OF ROCHESTER, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2015

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Cash received from other departments	\$ 2,581,821	\$ 986,316	\$ 14,626,760	\$ 18,194,897
Cash received from employees			944,803	944,803
Cash paid to suppliers	<u>(17,570)</u>	<u>(471,297)</u>	<u>(17,473,708)</u>	<u>(17,962,575)</u>
Net Cash Provided by (Used in) Operating Activities	<u>2,564,251</u>	<u>515,019</u>	<u>(1,902,145)</u>	<u>1,177,125</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
General property taxes	148,479	191,009		339,488
Intergovernmental revenues	2,302			2,302
Transfers in		19,700		19,700
Transfers out		<u>(74,775)</u>	<u>(147,087)</u>	<u>(221,862)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>150,781</u>	<u>135,934</u>	<u>(147,087)</u>	<u>139,628</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Principal and interest payments on bonds	(150,415)			(150,415)
Proceeds from sale of property	229,622	2,087		231,709
Acquisition of capital assets	<u>(3,725,019)</u>	<u>(95,225)</u>		<u>(3,820,244)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,645,812)</u>	<u>(93,138)</u>		<u>(3,738,950)</u>
<b>Cash Flows From Investing Activities:</b>				
Investment income	44,370	28,114	254,628	327,112
Net (increase) decrease in investments	<u>484,800</u>	<u>(812,800)</u>	<u>(482,400)</u>	<u>(810,400)</u>
Net Cash Provided by (Used in) Investing Activities	<u>529,170</u>	<u>(784,686)</u>	<u>(227,772)</u>	<u>(483,288)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(401,610)	(226,871)	(2,277,004)	(2,905,485)
Cash and Cash Equivalents, Beginning of Year	<u>445,864</u>	<u>262,043</u>	<u>2,545,421</u>	<u>3,253,328</u>
Cash and Cash Equivalents, End of Year	<u>\$ 44,254</u>	<u>\$ 35,172</u>	<u>\$ 268,417</u>	<u>\$ 347,843</u>



**CITY OF ROCHESTER, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
For the Year Ended December 31, 2015

Reconciliation of Operating Income (Loss) to Net Cash  
Provided By (Used in) Operating Activities

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating Income (Loss)	\$ (243)	\$ 249,604	\$ (3,187,814)	\$ (2,938,453)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	2,564,494	186,420		2,750,914
(Increase) Decrease In:				
Accounts receivable			(87,271)	(87,271)
Due from other governmental units		(464)		(464)
Increase (Decrease) In:				
Accounts payable		79,459	(4,348)	75,111
Deposits payable			(47,096)	(47,096)
Unearned revenue			87,171	87,171
Accrued compensation and payroll taxes			(203)	(203)
Due to other governmental units			41,336	41,336
Post employment benefit obligation			803,915	803,915
Accrued claims			492,165	492,165
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,564,251</u>	<u>\$ 515,019</u>	<u>\$ (1,902,145)</u>	<u>\$ 1,177,125</u>
Non Cash Transactions:				
Increase (Decrease) in fair value of investments	\$ (2,400)	\$ (7,800)	\$ (31,400)	\$ (41,600)
Equipment purchases in accounts payable at year end	140,073			140,073

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**CITY OF ROCHESTER, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**

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**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>									
<u>Tax Increment Bonds:</u>									
Taxable Tax Increment Bonds District 7, Series 1997	5.50% (2/1; 8/1)	3/4/1997	2/1/2024	(1)		\$ 2,768,500	\$ 2,669,380	\$ 2,554,593	\$ 114,787
Subtotal						<u>2,768,500</u>	<u>2,669,380</u>	<u>2,554,593</u>	<u>114,787</u>
Taxable Tax Increment Bonds Series 2009A	2.6; 3.0; 3.4; 3.65 3.9; 4.2; 4.4; 4.7; 5.0; 5.1; 5.2; 5.3; 5.4; 5.5; 5.6; 5.7; 5.8; 5.9; 6.0%	3/15/2009	2/1/2033	\$ 250,000 (2016) 260,000 (2017) 270,000 (2018) 285,000 (2019) 300,000 (2020) 315,000 (2021) 330,000 (2022) 345,000 (2023) 365,000 (2024) 385,000 (2025) 405,000 (2026) 430,000 (2027) 455,000 (2028) 485,000 (2029) 515,000 (2030) 540,000 (2031) 570,000 (2032) 605,000 (2033)		\$ 8,035,000	\$ 8,035,000	\$ 925,000	\$ 7,110,000
Subtotal						<u>8,035,000</u>	<u>8,035,000</u>	<u>925,000</u>	<u>7,110,000</u>
Total General Obligation Tax Increment Bonds						<u>\$ 10,803,500</u>	<u>\$ 10,704,380</u>	<u>\$ 3,479,593</u>	<u>\$ 7,224,787</u>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Wastewater Treatment Revenue Bonds 2007A	4.0, 4.125, 4.25 4.375, 5.0% (2/1; 8/1)	2/1/2007	12/1/2026	\$ 1,750,000 (2016) 1,820,000 (2017) 1,890,000 (2018) 1,965,000 (2019) 2,045,000 (2020) 2,130,000 (2021) 2,215,000 (2022) 2,285,000 (2023) 2,385,000 (2024) 2,485,000 (2025) 2,610,000 (2026)	\$ 30,455,000	\$ 30,455,000	\$ 6,875,000	\$ 23,580,000
Subtotal					30,455,000	30,455,000	6,875,000	23,580,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds (continued):</u>								
Wastewater Treatment	4.0, 4.125, 4.25	2/1/2007	12/1/2026	\$ 4,500,000 (2016)	\$ 60,840,000	\$ 60,840,000	\$	\$ 60,840,000
Revenue Crossover Refunding	4.375, 5.0%			4,675,000 (2017)				
Bonds 2012A	(2/1; 8/1)			4,940,000 (2018)				
				5,135,000 (2019)				
				5,415,000 (2020)				
				5,650,000 (2021)				
				5,890,000 (2022)				
				6,150,000 (2023)				
				6,425,000 (2024)				
				6,580,000 (2025)				
				5,480,000 (2026)				
Subtotal					60,840,000	60,840,000		60,840,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**

December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds (continued):</u>								
Wastewater Treatment	5.00%	2/1/2007	12/1/2026	\$	(2016)	\$ 19,805,000	\$	\$ 19,805,000
CrossOver Refunding Bonds	(12/1; 6/1)			1,590,000	(2017)			
Series 2015B				1,665,000	(2018)			
				1,750,000	(2019)			
				1,835,000	(2020)			
				1,920,000	(2021)			
				2,010,000	(2022)			
				2,085,000	(2023)			
				2,195,000	(2024)			
				2,310,000	(2025)			
				2,445,000	(2026)			
Subtotal						19,805,000	19,805,000	19,805,000
Wastewater Treatment	Variable	9/1/2015	12/1/2026	\$ 1,176,000	(2016)	\$ 14,156,000	\$	\$ 14,156,000
Revenue Refunding Bonds	(Monthly)			1,225,000	(2017)			
Series 2015D				1,230,000	(2018)			
				1,240,000	(2019)			
				1,255,000	(2020)			
				1,275,000	(2021)			
				1,295,000	(2022)			
				1,320,000	(2023)			
				1,350,000	(2024)			
				1,380,000	(2025)			
				1,410,000	(2026)			
Subtotal						14,156,000	14,156,000	14,156,000
Total General Obligation						\$ 125,256,000	\$ 6,875,000	\$ 118,381,000
Revenue Bonds								



**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Taxable General Obligation Bonds (2)</u>								
General Obligation Taxable	1.0; 1.25; 2.0;%	10/19/2010	2/1/2036	\$ 900,000	(2016)	\$ 26,700,000	\$ 2,690,000	\$ 24,010,000
Build America Bonds, Series 2010A	2.25; 2.75; 2.875;			915,000	(2017)			
(Public Works - \$26,275,000)	3.6; 3.7; 3.75; 4.0			940,000	(2018)			
( Equipment - \$375,000)	4.375; 4.6; 4.7; 4.8			955,000	(2019)			
	4.9; 5.0; 5.15			975,000	(2020)			
				950,000	(2021)			
				970,000	(2022)			
				1,000,000	(2023)			
				1,030,000	(2024)			
				1,060,000	(2025)			
				1,095,000	(2026)			
				1,125,000	(2027)			
				1,165,000	(2028)			
				1,205,000	(2029)			
				1,250,000	(2030)			
				1,285,000	(2031)			
				1,335,000	(2032)			
				1,385,000	(2033)			
				1,435,000	(2034)			
				1,490,000	(2035)			
				1,545,000	(2036)			
<b>Total Taxable General Obligation Bonds</b>						<b>\$ 26,700,000</b>	<b>\$ 2,690,000</b>	<b>\$ 24,010,000</b>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Certificates of Indebtedness</u>								
Equipment Certificates of Indebtedness Series 2009B	2.50; 3.0; 3.25; 3.50% (2/1; 8/1)	3/15/2009	2/1/2019	\$ 80,000 (2016) 90,000 (2017) 90,000 (2018) 95,000 (2019)	\$ 815,000	\$ 815,000	\$ 460,000	\$ 355,000
Total General Obligation Certificates of Indebtedness					\$ 815,000	\$ 815,000	\$ 460,000	\$ 355,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds</u>									
Electric Utility Revenue Bonds, Series 2007C	4.0; 5.0; 4.25; 4.5	12/1/2007	12/1/2030	\$ 2,415,000 (2016) 2,535,000 (2017) 3,710,000 (2018) 3,895,000 (2019) 4,060,000 (2020) 4,225,000 (2021) 4,395,000 (2022) 4,590,000 (2023) 4,800,000 (2024) 5,015,000 (2025) 5,240,000 (2026) 5,475,000 (2027) 5,710,000 (2028) 5,995,000 (2029) 6,295,000 (2030)		\$ 76,680,000	\$ 76,680,000	\$ 50,620,000	\$ 26,060,000
Subtotal						76,680,000	76,680,000	50,620,000	26,060,000
Electric Utility Revenue Bonds Series 2013A	2.0	4/1/2013	12/1/2017	\$ 790,000 (2016) 815,000 (2017)		\$ 3,960,000	\$ 3,960,000	\$ 2,355,000	\$ 1,605,000
Subtotal						3,960,000	3,960,000	2,355,000	1,605,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**

December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds (continued):</u>								
Electric Utility Revenue Bonds Series 2013B	3.0; 4.0; 5.0; 4.0 5.0; 4.0; 5.0	5/1/2013	12/1/2043	\$ 690,000 (2016) 710,000 (2017) 735,000 (2018) 765,000 (2019) 805,000 (2020) 845,000 (2021) 880,000 (2022) 925,000 (2023) 970,000 (2024) 1,015,000 (2025) 1,070,000 (2026) 1,120,000 (2027) 1,180,000 (2028) 1,235,000 (2029) 1,300,000 (2030) 1,365,000 (2031) 1,430,000 (2032) 1,505,000 (2033) 1,580,000 (2034) 1,640,000 (2035) 1,705,000 (2036) 1,775,000 (2037) 1,845,000 (2038) 1,920,000 (2039) 2,015,000 (2040) 2,115,000 (2041) 2,225,000 (2042) 2,335,000 (2043)	\$ 38,370,000	\$ 38,370,000	\$ 670,000	\$ 37,700,000
Subtotal					<u>38,370,000</u>	<u>38,370,000</u>	<u>670,000</u>	<u>37,700,000</u>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds (continued):</u>								
Electric Utility Revenue Bonds, Series 2015E	3.0, 3.5, 4, 5.0	11/24/2015	12/1/2030	\$	(2016)	\$ 39,970,000	\$	\$ 39,970,000
				1,160,000	(2017)			
				2,260,000	(2018)			
				2,370,000	(2019)			
				2,490,000	(2020)			
				2,615,000	(2021)			
				2,750,000	(2022)			
				2,885,000	(2023)			
				3,030,000	(2024)			
				3,115,000	(2025)			
				3,210,000	(2026)			
				3,320,000	(2027)			
				3,455,000	(2028)			
				3,600,000	(2029)			
				3,710,000	(2030)			
Subtotal						39,970,000	39,970,000	39,970,000
Total Revenue Bonds						\$ 158,980,000	\$ 53,645,000	\$ 105,335,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Economic Development Authority Revenue Bonds</u>								
Lease Revenue Bonds Series 2007	4.70% (2/1; 8/1)	12/12/2007	2/1/2033	\$ 305,000 (2016) 320,000 (2017) 335,000 (2018) 350,000 (2019) 365,000 (2020) 385,000 (2021) 400,000 (2022) 420,000 (2023) 440,000 (2024) 460,000 (2025) 485,000 (2026) 505,000 (2027) 530,000 (2028) 555,000 (2029) 580,000 (2030) 605,000 (2031) 635,000 (2032) 665,000 (2033)	\$ 9,900,000	\$ 9,900,000	\$ 1,560,000	\$ 8,340,000
Subtotal					9,900,000	9,900,000	1,560,000	8,340,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Economic Development</u>								
<u>Authority Revenue Bonds (continued):</u>								
Lease Revenue Bonds Series 2008	4.71% (2/1; 8/1)	1/9/2008	2/1/2033	\$ 205,000 (2016) 215,000 (2017) 225,000 (2018) 235,000 (2019) 250,000 (2020) 260,000 (2021) 270,000 (2022) 285,000 (2023) 300,000 (2024) 310,000 (2025) 325,000 (2026) 345,000 (2027) 360,000 (2028) 375,000 (2029) 395,000 (2030) 410,000 (2031) 430,000 (2032) 450,000 (2033)	\$ 6,700,000	\$ 6,700,000	\$ 1,055,000	\$ 5,645,000
Subtotal					6,700,000	6,700,000	1,055,000	5,645,000
Total Economic Development Authority Revenue Bonds					\$ 16,600,000	\$ 16,600,000	\$ 2,615,000	\$ 13,985,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
 December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Notes Payable:</u>								
Airport Hanger Note of 2006	0%	11/1/2006	11/1/2016	\$ 21,998 (2016)	\$ 263,944	\$ 263,944	\$ 241,948	\$ 21,996
Total Notes Payable					<u>\$ 263,944</u>	<u>\$ 263,944</u>	<u>\$ 241,948</u>	<u>\$ 21,996</u>



**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Lodging Tax Bonds</u>								
Revenue Bonds	5.0; 2.5; 4.0%	6/15/2015	2/1/2035	\$ 1,465,000 (2016)	\$ 42,795,000	\$ 42,795,000	\$	\$ 42,795,000
Series 2015A	3.5; 3.75			940,000 (2017)				
				1,045,000 (2018)				
				1,255,000 (2019)				
				1,380,000 (2020)				
				1,510,000 (2021)				
				1,650,000 (2022)				
				1,795,000 (2023)				
				1,950,000 (2024)				
				2,115,000 (2025)				
				2,315,000 (2026)				
				2,430,000 (2027)				
				2,530,000 (2028)				
				2,615,000 (2029)				
				2,705,000 (2030)				
				2,800,000 (2031)				
				2,905,000 (2032)				
				3,015,000 (2033)				
				3,130,000 (2034)				
				3,245,000 (2035)				
Subtotal					42,795,000	42,795,000		42,795,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Sales Tax Bonds (3)</u>								
Revenue Bonds	Variable	9/1/2015	2/1/2025	\$ 750,000 (2016)	\$ 40,880,000	\$ 30,427,617	\$	\$ 30,427,617
Series 2015C	(Monthly)			2,350,000 (2017)				
				2,420,000 (2018)				
				2,490,000 (2019)				
				2,565,000 (2020)				
				2,645,000 (2021)				
				2,720,000 (2022)				
				2,805,000 (2023)				
				2,890,000 (2024)				
				19,245,000 (2025)				
Subtotal					40,880,000	30,427,617		30,427,617

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2015

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Loan Payable</u>								
Energy Loan Payable Note of 2006	4.10% (3/31; 9/30)	6/30/2006	9/30/2018	\$ 532,745 (2016) 554,812 (2017) 577,791 (2018)	\$ 5,715,795	\$ 5,715,795	4,050,445	\$ 1,665,350
Total Loan Payable					<u>\$ 5,715,795</u>	<u>\$ 5,715,795</u>	<u>\$ 4,050,445</u>	<u>\$ 1,665,350</u>
TOTAL DEBT PAYABLE					<u>\$ 428,809,239</u>	<u>\$ 418,257,736</u>	<u>\$ 74,056,986</u>	<u>\$ 344,200,750</u>

(1) The Taxable Tax Increment Bonds are structured without fixed principal maturities. The payments are equal to the amount of "Available Tax Increments" received by the City within the six month period preceding each payment date. All payments are applied first to pay accrued and unpaid interest and next to reduction of principal.

(2) A portion of the City's interest payable on the General Obligation Taxable Build America Bonds are reimbursed to the City through federal grants.

(3) The General Obligation Sales Tax Bonds maturity schedule is projected based upon the total authorized bond issue. As of December 31, 2015, the City had drawn \$30,427,117 of the authorized amount.

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS**  
For the Year Ended December 31, 2015

	Employer Contributions						Total Wages and Contributions	
	Salaries and Wages	Pension	Social Security	Group Insurance	Workers' Compensation	Unemployment Compensation		Other (1) Contributions
<u>Government and Fiduciary Fund Types</u>								
General Government	\$ 5,290,460	\$ 384,758	\$ 362,937	\$ 986,167	\$ 6,865	\$ (92)	\$ 10,144	\$ 7,041,239
Public Safety								
Police	13,872,949	2,043,126	315,750	2,928,141	109,814		26,259	19,296,040
Communications	1,601,540	120,047	118,933	278,676	1,142	(43)	4,155	2,124,449
Fire	8,848,555	1,403,825	139,528	1,656,990	120,571		2,235	12,171,704
Fire Hazmat Response Team	25,819	4,183	367		248			30,616
Emergency Management	108,670	8,067	8,188	1,486	1,549		198	128,157
Building Safety	2,049,642	152,073	148,519	376,406	8,784	4,445	670	2,740,539
Animal Control	155,570	11,384	11,492	49,787	1,395		106	229,733
Flood Control	121,488	8,487	8,585	29,093	1,767		24	169,444
Public Works	6,080,225	447,259	431,148	1,224,342	86,217	4,672	5,910	8,279,774
Music	326,440	24,100	23,998	53,272	290		750	428,849
Library	3,884,513	279,704	286,703	626,177	7,657	87	8,755	5,093,595
Park and Recreation	4,393,257	278,947	314,521	812,148	58,903	4,283	1,717	5,863,775
Mayo Civic Center	1,275,730	89,552	94,633	150,563	27,786	40	198	1,638,502
<b>TOTAL</b>	<b>\$48,034,856</b>	<b>\$5,255,511</b>	<b>\$2,265,301</b>	<b>\$ 9,173,247</b>	<b>\$ 432,988</b>	<b>\$ 13,392</b>	<b>\$ 61,121</b>	<b>\$65,236,416</b>
<u>Proprietary Fund Types</u>								
Parking	\$ 263,355	\$ 19,384	\$ 19,232	\$ 51,597	\$ 2,757		\$ 189	\$ 356,514
Electric Utility	13,905,606	1,020,650	1,017,682	2,350,656			3,361	18,297,954
Water Utility	1,638,793	122,291	121,062	288,440			159	2,170,745
Sewer Utility	2,498,923	182,842	181,256	624,397	43,841		683	3,531,942
Storm Water Utility	425,574	29,905	29,940	85,422	1,955		1,039	573,834
<b>TOTAL</b>	<b>\$18,732,252</b>	<b>\$1,375,072</b>	<b>\$1,369,171</b>	<b>\$ 3,400,511</b>	<b>\$ 48,553</b>	<b>\$</b>	<b>\$ 5,430</b>	<b>\$24,930,989</b>

(1) Other contributions include transit and parking subsidies and administration fees for the City's Flexible Benefits Plan.

# CITY OF ROCHESTER, MINNESOTA

## STATISTICAL SECTION

DECEMBER 31, 2015

This part of the City'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 City's overall financial health.

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	122
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	129
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	134
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	140
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	143

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF ROCHESTER, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Expenses</b>					
Governmental activities:					
General government	\$ 11,743,255	\$ 8,609,956	\$ 8,811,595	\$ 8,347,314	\$ 8,007,217
Public safety	49,527,459	42,417,692	42,858,335	42,320,996	40,121,082
Public works	31,528,109	41,087,966	19,887,604	16,543,088	16,928,415
Airport	5,736,407	6,259,156	5,734,323	7,099,307	6,835,339
Transit	8,291,571	8,076,205	7,724,506	7,433,706	5,264,547
Culture	10,506,555	9,351,564	9,566,658	8,972,044	8,588,954
Park and recreation/Mayo Civic Center	17,998,905	18,216,344	16,841,511	16,373,665	16,444,476
Economic development/tourism	19,326,705	4,621,378	9,911,655	6,586,468	6,386,889
Community reinvestment/unallocated	592,918	428,930	506,967	537,748	558,095
Interest on long-term debt	3,181,305	2,276,231	2,380,003	2,544,147	2,653,978
Total governmental activities expenses	<u>158,433,189</u>	<u>141,345,422</u>	<u>124,223,157</u>	<u>116,758,483</u>	<u>111,788,992</u>
Business-Type activities:					
Parking	4,300,007	4,347,469	4,393,329	4,144,820	4,058,355
Electric utility	132,233,524	131,936,203	132,336,451	130,435,312	129,122,438
Water utility	8,674,276	8,753,706	8,633,125	8,208,287	8,063,227
Sewer utility	22,065,001	23,780,820	24,553,468	23,967,214	22,097,030
Storm water utility	3,795,630	3,881,151	3,641,691	3,646,348	2,995,740
Total business-type activities expenses	<u>171,068,438</u>	<u>172,699,349</u>	<u>173,558,064</u>	<u>170,401,981</u>	<u>166,336,790</u>
Total primary government expenses	<u>\$ 329,501,627</u>	<u>\$ 314,044,771</u>	<u>\$ 297,781,221</u>	<u>\$ 287,160,464</u>	<u>\$ 278,125,782</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 529,872	\$ 509,453	\$ 541,468	\$ 555,338	\$ 540,045
Public safety	6,965,279	6,389,114	5,836,234	5,671,791	4,820,088
Public works	389,744	460,541	416,248	395,433	276,631
Airport	3,053,404	2,953,979	2,710,121	3,778,968	2,901,820
Transit	2,389,682	2,203,876	2,174,648	2,086,011	672,682
Culture	383,630	374,321	368,657	296,401	378,587
Park and recreation/Mayo Civic Center	6,402,621	6,707,469	6,782,711	6,707,922	6,855,382
Economic development/tourism	3,138,663	2,815,791	2,688,420	2,648,546	2,058,326
Operating grants and contributions	10,178,769	9,886,803	9,375,174	8,824,544	9,038,414
Capital grants and contributions	32,254,866	24,087,277	74,050,192	28,549,008	27,302,175
Total governmental activities program revenues	<u>65,686,530</u>	<u>56,388,624</u>	<u>104,943,873</u>	<u>59,513,962</u>	<u>54,844,150</u>
Business-type activities:					
Charges for services:					
Parking	6,847,212	6,309,209	6,105,503	5,566,720	5,146,359
Electric utility	145,855,844	142,961,216	140,978,042	142,602,756	142,412,918
Water utility	8,660,906	8,286,713	8,282,104	8,619,876	8,320,952
Sewer utility	27,487,183	24,250,191	21,926,463	20,461,638	18,381,793
Storm water utility	6,060,977	5,301,271	5,563,036	5,135,264	4,982,245
Capital grants and contributions	2,903,373	5,057,759	1,662,034	1,845,793	1,701,524
Total business-type activities program revenues	<u>197,815,495</u>	<u>192,166,359</u>	<u>184,517,182</u>	<u>184,232,047</u>	<u>180,945,791</u>
Total primary government program revenues	<u>\$ 263,502,025</u>	<u>\$ 248,554,983</u>	<u>\$ 289,461,055</u>	<u>\$ 243,746,009</u>	<u>\$ 235,789,941</u>

The December 31, 2012 governmental activities and business type activities were restated \$21,409 and \$(178,941) respectively as a result of the adoption of GASB Statement No. 65. Years prior to 2012 have not been restated for the impact of this Statement.

Schedule 1

2010	2009	2008	2007	2006
\$ 7,689,602	\$ 6,943,475	\$ 7,474,607	\$ 6,878,399	\$ 6,487,386
38,566,296	37,982,196	36,879,979	33,168,820	31,767,951
24,596,491	24,551,047	18,064,883	18,210,209	14,268,684
6,881,982	5,572,561	6,204,997	5,432,334	4,387,112
4,885,878	4,465,509	4,463,679	3,500,207	3,270,811
8,045,420	7,698,935	7,830,377	7,023,517	6,611,227
15,952,230	15,631,196	14,899,915	13,505,054	14,034,860
13,054,890	6,545,075	3,168,068	8,367,880	3,834,472
599,580	572,515	1,351,984	350,641	4,708,895
1,824,346	1,574,213	1,194,906	747,424	988,639
<u>122,096,715</u>	<u>111,536,722</u>	<u>101,533,395</u>	<u>97,184,485</u>	<u>90,360,037</u>
4,100,101	3,731,599	3,520,547	3,327,342	3,088,091
131,769,006	123,933,285	132,989,378	138,769,304	117,966,938
7,242,501	7,172,964	6,950,672	6,921,476	6,765,775
21,766,488	22,180,957	21,923,523	16,546,960	14,313,983
2,982,478	2,721,314	2,852,576	2,809,129	3,031,398
<u>167,860,574</u>	<u>159,740,119</u>	<u>168,236,696</u>	<u>168,374,211</u>	<u>145,166,185</u>
<u>\$ 289,957,289</u>	<u>\$ 271,276,841</u>	<u>\$ 269,770,091</u>	<u>\$ 265,558,696</u>	<u>\$ 235,526,222</u>
\$ 512,005	\$ 501,912	\$ 471,410	\$ 475,122	\$ 445,062
4,769,132	4,705,781	5,448,286	5,276,766	5,729,159
234,659	194,890	230,585	266,410	212,015
2,982,614	2,678,608	2,934,276	2,936,705	2,647,146
664,888	659,012	663,088	185,476	150,853
323,655	412,840	394,469	359,394	350,637
6,744,988	6,810,599	6,221,588	5,664,465	5,212,280
62,446	63,291	126,214	50,984	63,375
12,179,932	10,404,046	7,249,392	6,857,250	6,797,593
30,373,195	17,571,480	23,341,029	23,698,012	34,407,050
<u>58,847,514</u>	<u>44,002,459</u>	<u>47,080,337</u>	<u>45,770,584</u>	<u>56,015,170</u>
4,763,393	4,701,251	4,512,354	4,191,797	3,876,103
142,768,456	136,149,438	147,462,166	156,772,451	130,723,369
8,132,955	8,192,390	8,174,118	8,273,714	7,747,854
16,873,321	15,150,978	13,646,680	13,234,276	11,394,102
4,688,635	4,239,649	3,593,395	3,470,521	4,219,736
6,540,059	1,088,397	5,123,882	2,066,552	5,510,770
<u>183,766,819</u>	<u>169,522,103</u>	<u>182,512,595</u>	<u>188,009,311</u>	<u>163,471,934</u>
<u>\$ 242,614,333</u>	<u>\$ 213,524,562</u>	<u>\$ 229,592,932</u>	<u>\$ 233,779,895</u>	<u>\$ 219,487,104</u>

**CITY OF ROCHESTER, MINNESOTA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year				
	2015	2014	2013	2012	2011
<b>Net (Expense) Revenue</b>					
Governmental Activities	\$ (92,746,659)	\$ (84,956,798)	\$ (19,279,284)	\$ (57,223,113)	\$ (56,944,842)
Business-type activities	26,747,057	19,467,010	10,959,118	13,651,125	14,609,001
Total primary government net revenue	<u>\$ (65,999,602)</u>	<u>\$ (65,489,788)</u>	<u>\$ (8,320,166)</u>	<u>\$ (43,571,988)</u>	<u>\$ (42,335,841)</u>
<b>General Revenues and Other Changes In Net Position</b>					
Governmental activities:					
Taxes					
General property taxes	\$ 54,064,041	\$ 50,057,894	\$ 50,008,722	\$ 47,786,839	\$ 43,323,671
Tax increments collection (refund)	2,129,568	2,525,457	2,969,470	2,546,157	1,952,314
Sales tax	12,033,640	11,262,270	10,372,478	10,300,777	9,840,169
Nonproperty taxes	9,991,794	9,304,678	5,815,897	5,286,161	4,923,322
Unrestricted grants and contributions	7,364,153	8,105,837	5,157,388	5,173,338	4,363,964
Interest earnings	2,342,414	1,683,017	1,957,763	2,081,801	3,978,207
Gain on disposition of property	122,152	85,968	65,952	283,656	51,813
Net increase (decrease) in the fair value of investments	(254,650)	471,553	(1,394,762)	(324,140)	(816,364)
Miscellaneous	1,469,200	1,063,959	663,780	250,566	1,741,451
Transfers	6,698,770	6,806,405	7,617,827	8,011,014	10,537,266
Total governmental activities	<u>95,961,082</u>	<u>91,367,038</u>	<u>83,234,515</u>	<u>81,396,169</u>	<u>79,895,813</u>
Business-type activities:					
Unrestricted grants and contributions	9,796	93,471	9,796	340,346	58,226
Interest earnings	938,164	1,059,897	767,460	938,274	1,496,480
Net increase (decrease) in the fair value of investments	(194,846)	(47,833)	(409,347)	112,057	(175,200)
Miscellaneous	341,054	335,629	(53,274)	50,469	(205,752)
Transfers	(6,698,770)	(6,806,405)	(7,617,827)	(8,011,014)	(10,537,266)
Special item - impairment loss				(35,536,828)	
Total business-type activities	<u>(5,604,602)</u>	<u>(5,365,241)</u>	<u>(7,303,192)</u>	<u>(42,106,696)</u>	<u>(9,363,512)</u>
Total primary government	<u>\$ 90,356,480</u>	<u>\$ 86,001,797</u>	<u>\$ 75,931,323</u>	<u>\$ 39,289,473</u>	<u>\$ 70,532,301</u>
<b>Change in Net Position</b>					
Governmental activities	\$ 3,214,423	\$ 6,410,240	\$ 63,955,231	\$ 24,173,056	\$ 22,950,971
Business-type activities	21,142,455	14,101,769	3,655,926	(28,455,571)	5,245,489
Total primary government	<u>\$ 24,356,878</u>	<u>\$ 20,512,009</u>	<u>\$ 67,611,157</u>	<u>\$ (4,282,515)</u>	<u>\$ 28,196,460</u>



**Schedule 1 (Continued)**

2010	2009	2008	2007	2006
\$ (63,249,201)	\$ (67,534,263)	\$ (54,453,058)	\$ (51,413,901)	\$ (34,344,867)
15,906,245	9,781,984	14,275,899	19,635,100	18,305,749
<u>\$ (47,342,956)</u>	<u>\$ (57,752,279)</u>	<u>\$ (40,177,159)</u>	<u>\$ (31,778,801)</u>	<u>\$ (16,039,118)</u>
\$ 41,711,795	\$ 39,179,058	\$ 37,734,057	\$ 35,000,100	\$ 32,917,358
1,943,050	1,686,611	1,590,432	1,299,451	1,191,508
9,346,574	9,192,275	9,594,526	9,720,049	9,196,080
4,833,173	4,909,229	4,773,328	4,685,569	4,391,370
5,489,944	8,799,788	7,128,314	7,805,835	7,166,725
4,082,540	4,695,597	6,132,448	6,680,418	5,623,033
61,681	30,671	401,516	1,719,959	108,549
(1,294,764)	(2,517,582)	2,807,423	2,719,499	883,248
545,128	819,814	344,243	132,821	124,415
3,251,868	5,735,310	6,809,616	1,830,010	10,414,727
<u>69,970,989</u>	<u>72,530,771</u>	<u>77,315,903</u>	<u>71,593,711</u>	<u>72,017,013</u>
80,746	33,451	124,105	480,253	9,796
1,856,829	2,142,150	4,435,397	5,692,584	3,292,735
(390,708)	(243,846)	303,115	819,635	326,437
(169,004)	(360,518)	(219,415)	(615,399)	1,351,962
(3,251,868)	(5,735,310)	(6,809,616)	(1,830,010)	(10,414,727)
<u>(1,874,005)</u>	<u>(4,164,073)</u>	<u>(2,166,414)</u>	<u>4,547,063</u>	<u>(5,433,797)</u>
<u>\$ 68,096,984</u>	<u>\$ 68,366,698</u>	<u>\$ 75,149,489</u>	<u>\$ 76,140,774</u>	<u>\$ 66,583,216</u>
\$ 6,721,788	\$ 4,996,508	\$ 22,862,845	\$ 20,179,810	\$ 37,672,146
14,032,240	5,617,911	12,109,485	24,182,163	12,871,952
<u>\$ 20,754,028</u>	<u>\$ 10,614,419</u>	<u>\$ 34,972,330</u>	<u>\$ 44,361,973</u>	<u>\$ 50,544,098</u>

**CITY OF ROCHESTER, MINNESOTA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
(Accrual Basis of Accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets	\$ 583,012,721	\$ 572,584,985	\$ 553,588,996	\$ 509,225,208	\$ 489,129,077	\$ 465,058,494	\$ 476,322,274	\$ 471,563,821	\$ 450,240,101	\$ 457,528,492
Restricted	52,805,659	43,672,245	49,748,493	51,203,900	54,664,399	42,452,366	44,545,026	41,620,652	34,132,247	35,318,787
Unrestricted	78,714,209	135,765,104	142,274,605	121,227,755	114,126,032	127,457,677	107,379,449	110,065,768	116,015,048	87,360,307
<b>Total governmental activities net position</b>	<b>\$ 714,532,589</b>	<b>\$ 752,022,334</b>	<b>\$ 745,612,094</b>	<b>\$ 681,656,863</b>	<b>\$ 657,919,508</b>	<b>\$ 634,968,537</b>	<b>\$ 628,246,749</b>	<b>\$ 623,250,241</b>	<b>\$ 600,387,396</b>	<b>\$ 580,207,586</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 322,172,020	\$ 314,444,519	\$ 302,966,488	\$ 299,805,897	\$ 338,400,428	\$ 339,648,274	\$ 321,275,110	\$ 337,553,519	\$ 319,020,538	\$ 316,363,375
Restricted	1,007,633				3,204,362	3,232,791	7,765,427	7,348,707	10,752,218	8,878,318
Unrestricted	106,353,734	109,063,419	106,439,679	107,565,865	94,482,357	87,960,593	87,768,881	66,289,281	69,309,266	49,658,166
<b>Total business-type activities net position</b>	<b>\$ 429,533,387</b>	<b>\$ 423,507,938</b>	<b>\$ 409,406,167</b>	<b>\$ 407,371,762</b>	<b>\$ 436,087,147</b>	<b>\$ 430,841,658</b>	<b>\$ 416,809,418</b>	<b>\$ 411,191,507</b>	<b>\$ 399,082,022</b>	<b>\$ 374,899,859</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 905,184,741	\$ 887,029,504	\$ 856,555,484	\$ 827,529,505	\$ 827,529,505	\$ 804,706,768	\$ 797,597,384	\$ 809,117,340	\$ 769,260,639	\$ 773,891,867
Restricted	53,813,292	43,672,245	49,748,493	57,868,761	57,868,761	45,685,157	52,310,453	48,969,359	44,884,465	44,197,105
Unrestricted	185,067,943	244,828,523	248,714,284	208,608,389	208,608,389	215,418,270	195,148,330	176,355,049	185,324,314	137,018,473
<b>Total primary government net position</b>	<b>\$1,144,065,976</b>	<b>\$1,175,530,272</b>	<b>\$1,155,018,261</b>	<b>\$1,089,028,625</b>	<b>\$1,094,006,655</b>	<b>\$1,065,810,195</b>	<b>\$ 1,045,056,167</b>	<b>\$ 1,034,441,748</b>	<b>\$ 999,469,418</b>	<b>\$ 955,107,445</b>

The December 31, 2012 governmental activities and business type activities were restated \$414,293 and \$438,755 respectively as a result of the adoption of GASB Statement No. 65. Years prior to 2012 have not been restated for the impact of this Statement.

The City adopted GASB Statements No. 68 and 71 in 2015. Amounts in this schedule prior to 2015 have not been restated for GASB Statements No. 68 and 71.

**CITY OF ROCHESTER, MINNESOTA**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
 (Modified Accrual Basis of Accounting)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General fund										
Reserved	\$	\$	\$	\$	\$	\$	\$ 492,914	\$ 607,823	\$ 522,548	\$ 278,233
Unreserved							22,043,737	19,434,360	21,191,433	19,049,670
Nonspendable	1,163,500	973,004	860,130	1,063,172	211,484	136,478				
Restricted	41,793	43,208	41,803	37,364	34,461	35,060				
Committed										
Assigned	692,691	563,558	642,257	762,355	559,851	639,978				
Unassigned	<u>30,543,618</u>	<u>29,431,232</u>	<u>27,169,199</u>	<u>25,761,818</u>	<u>23,127,951</u>	<u>22,027,942</u>				
Total general fund	<u>32,441,602</u>	<u>31,011,002</u>	<u>28,713,389</u>	<u>27,624,709</u>	<u>23,933,747</u>	<u>22,839,458</u>	<u>22,536,651</u>	<u>20,042,183</u>	<u>21,713,981</u>	<u>19,327,903</u>
All other governmental funds										
Reserved							53,638,296	49,533,336	33,041,168	43,485,369
Unreserved, reported in:										
Special revenue funds							10,325,542	8,989,193	7,752,101	6,881,281
Capital projects funds							24,282,673	34,726,536	53,197,187	21,619,691
Nonspendable	234,012	164,219	182,079	72,455	35,357	273,738				
Restricted	49,386,163	40,241,517	46,532,220	47,851,673	50,947,047	53,108,779				
Committed	87,499,676	51,592,509	47,141,420	49,821,928	43,894,506	47,328,336				
Assigned	8,148,165	6,631,621	6,138,504	6,105,985	5,560,461	4,876,324				
Unassigned		<u>(42,389)</u>								
Total all other governmental funds	<u>145,268,016</u>	<u>98,587,477</u>	<u>99,994,223</u>	<u>103,852,041</u>	<u>100,437,371</u>	<u>105,587,177</u>	<u>88,246,511</u>	<u>93,249,065</u>	<u>93,990,456</u>	<u>71,986,341</u>
Total governmental funds	<u>\$177,709,618</u>	<u>\$129,598,479</u>	<u>\$128,707,612</u>	<u>\$131,476,750</u>	<u>\$124,371,118</u>	<u>\$128,426,635</u>	<u>\$110,783,162</u>	<u>\$113,291,248</u>	<u>\$115,704,437</u>	<u>\$ 91,314,244</u>

Note: The City implemented GASB Statement No. 54 in 2011, therefore, classifications of fund balance have changed.

**CITY OF ROCHESTER, MINNESOTA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>REVENUES</b>										
General property taxes	\$ 53,739,201	\$ 49,901,003	\$ 49,813,611	\$ 47,517,667	\$ 43,271,181	\$ 41,574,807	\$ 38,806,150	\$ 37,400,201	\$ 34,885,591	\$ 32,747,658
Tax increments collections (refund)	2,128,993	2,527,096	2,968,753	2,545,678	1,951,402	1,943,050	1,686,611	1,590,432	1,299,451	1,191,508
Sales tax	12,033,640	11,262,270	10,372,478	10,300,776	9,840,169	9,346,574	9,192,275	9,594,526	9,720,049	9,196,080
Special assessments	3,133,502	3,020,900	3,373,890	3,372,669	1,920,163	1,645,097	1,533,001	1,572,955	1,872,185	2,837,271
Utility connection and availability	325,270	1,231,803	1,017,876	1,225,703	609,934	825,430	326,051	550,149	174,075	3,157,467
Nonproperty taxes	9,991,794	9,304,677	5,815,897	5,286,161	4,923,322	4,833,173	4,909,229	4,773,328	4,685,569	4,391,370
Licenses and permits	4,031,809	3,644,171	3,258,186	3,066,039	2,420,015	2,379,733	2,279,973	2,680,368	2,810,859	3,289,288
Fines and forfeits	475,034	454,196	501,266	571,770	547,800	527,450	544,259	524,331	513,192	427,241
Intergovernmental revenues	51,612,284	45,911,346	27,443,118	35,540,209	31,480,025	37,041,345	29,659,974	29,181,062	24,742,193	22,573,306
Charges for services	14,445,355	14,569,661	14,286,318	13,909,393	12,585,871	12,530,294	13,687,801	13,861,583	12,527,566	11,682,523
Interest earnings	2,011,828	1,408,581	1,620,760	1,630,099	3,208,257	3,173,913	3,649,388	4,951,680	5,627,588	4,827,415
Net increase (decrease) in the fair value of investments	(213,050)	353,653	(1,028,062)	(240,340)	(614,664)	(924,764)	(2,008,682)	2,045,623	2,183,099	730,848
Miscellaneous revenues	4,342,010	8,179,969	7,785,582	6,427,896	6,925,433	6,553,480	3,583,948	2,209,994	4,400,318	6,001,604
<b>Total Revenues</b>	<b>158,057,670</b>	<b>151,769,326</b>	<b>127,229,673</b>	<b>131,153,720</b>	<b>119,068,908</b>	<b>121,449,582</b>	<b>107,849,978</b>	<b>110,936,232</b>	<b>105,441,735</b>	<b>103,053,579</b>
<b>EXPENDITURES</b>										
General government	8,950,029	8,305,825	8,247,598	7,764,505	7,189,932	7,049,164	6,691,631	6,873,581	6,368,922	5,964,505
Public safety	41,834,295	40,342,785	39,687,164	38,136,230	37,120,837	35,865,215	34,986,398	34,891,804	31,350,259	29,955,158
Public works	12,236,537	12,915,388	10,980,007	8,823,486	9,800,681	10,253,529	9,096,795	10,640,690	9,120,258	7,682,125
Airport operations	3,341,923	3,471,271	3,418,210	3,485,498	3,192,782	3,116,769	3,038,389	3,192,454	3,105,049	2,734,471
Transit	7,120,532	7,170,957	6,832,839	6,544,287	4,427,520	4,216,924	3,791,674	3,781,225	2,828,406	2,649,879
Culture	8,606,048	8,248,460	8,085,190	7,415,474	7,278,575	7,238,432	6,896,807	7,099,224	6,658,566	6,390,860
Park and recreation	13,525,070	13,397,123	13,101,852	12,651,545	12,495,382	12,341,947	12,024,541	11,728,868	10,929,854	10,357,189
Economic development/tourism	4,573,610	4,030,486	4,149,017	3,635,191	3,316,165	3,262,793	2,601,319	2,352,074	2,457,602	2,218,788
Community reinvestment and unallocated	592,918	428,928	506,968	537,745	558,095	470,731	572,108	633,038	352,345	469,416
Debt service										
Interest	3,674,637	3,374,982	3,434,866	2,775,540	2,377,564	2,110,335	1,284,802	874,312	808,672	1,204,347
Principal	1,448,436	1,406,296	1,248,524	4,912,264	1,472,961	1,260,612	958,505	663,295	8,043,363	3,237,648
Capital outlay	97,316,009	58,825,813	38,465,142	36,982,468	45,390,342	55,413,183	46,496,499	55,245,719	18,346,025	58,045,351
<b>Total Expenditures</b>	<b>203,220,044</b>	<b>161,918,314</b>	<b>138,157,377</b>	<b>133,664,233</b>	<b>134,620,836</b>	<b>142,599,634</b>	<b>128,439,468</b>	<b>137,976,284</b>	<b>100,369,321</b>	<b>130,909,737</b>
Excess (deficiency) of revenues over (under) expenditures	(45,162,374)	(10,148,988)	(10,927,704)	(2,510,513)	(15,551,928)	(21,150,052)	(20,589,490)	(27,040,052)	5,072,414	(27,856,158)
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of land								360,000		
Proceeds from borrowing	76,693,345					26,383,439	8,035,000	9,200,000	9,900,000	5,979,739
Premiums on issuance of debt						85,609				
Transfers in	18,857,736	15,799,053	28,462,193	28,513,745	15,644,800	16,710,433	14,722,178	23,646,860	23,434,123	20,006,124
Transfers out	(6,979,851)	(4,759,198)	(20,303,627)	(18,897,600)	(4,148,389)	(4,385,956)	(4,675,774)	(8,579,997)	(14,016,344)	(5,066,524)
Total other financing sources (uses)	88,571,230	11,039,855	8,158,566	9,616,145	11,496,411	38,793,525	18,081,404	24,266,863	19,317,779	20,919,339
Net change in fund balances	\$ 43,408,856	\$ 890,867	\$ (2,769,138)	\$ 7,105,632	\$ (4,055,517)	\$ 17,643,473	\$ (2,508,086)	\$ (2,773,189)	\$ 24,390,193	\$ (6,936,819)
Debt service as a percentage of noncapital expenditures	3.80%	3.78%	4.29%	7.57%	4.35%	3.90%	2.77%	1.88%	10.89%	6.16%

**CITY OF ROCHESTER, MINNESOTA  
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Payable Year	Real Property		Personal Property		Total Tax Capacity (1)	City Tax Rate %	Total Taxable Market Value (1)	% of Tax Capacity to Total Taxable Market Value
	Tax Capacity	Taxable Market Value	Tax Capacity	Taxable Market Value				
2007	90,949,329	7,512,154,400	822,074	41,718,600	\$ 91,771,403	41.707	7,553,873,000	1.21
					90,567,262		7,530,242,600	1.20
2008	95,794,200	7,901,523,500	688,498	35,004,300	96,482,698	42.455	7,936,527,800	1.22
					95,077,087		7,910,965,100	1.20
2009	103,127,070	8,375,322,700	739,892	37,650,400	103,866,962	41.008	8,412,973,100	1.23
					102,305,913		8,385,349,000	1.22
2010	105,604,986	8,548,508,300	810,344	43,140,600	106,415,330	42.817	8,591,648,900	1.24
					104,661,042		8,558,844,600	1.22
2011	105,848,625	8,575,056,496	861,029	45,763,600	106,709,654	44.141	8,620,820,096	1.24
					104,995,949		8,587,630,696	1.22
2012	99,613,525	7,952,933,692 (2)	857,272	45,503,400	100,470,797	49.184	7,998,437,092	1.26
					98,171,649		7,962,184,992	1.23
2013	100,008,612	7,972,893,891	873,344	46,307,000	100,881,956	51.158	8,019,200,891	1.26
					98,582,808		7,982,948,791	1.23
2014	102,722,350	8,140,566,700	955,216	50,463,000	103,677,566	49.447	8,191,029,700	1.27
					101,627,166		8,159,355,400	1.25
2015	107,405,274	8,438,468,100	1,072,631	56,696,200	108,477,905	50.217	8,495,164,300	1.28
					106,722,322		8,468,312,054	1.26
2016	112,563,510	8,778,367,100	1,172,361	61,706,600	113,735,871	51.332	8,840,073,700	1.29
					111,971,422		8,814,637,966	1.27

(1) Second amounts are net of Tax Increment.

(2) Taxable Market Value was reduced in 2012 as the result of the Market Value Exclusion.

NOTE - Valuations are determined as of January 1 of year preceding tax collection year.

The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use.

The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

**CITY OF ROCHESTER, MINNESOTA  
PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Percent of Tax Capacity)**

Fiscal Year	City of Rochester			Overlapping Rates		
	Direct Rate			Range of Tax Rates for Independent School Districts 531, 534 & 535	Olmsted County	Range of Total Direct and Overlapping Tax Rates
	Operating	Debt Service	Total Direct Rate			
2007	41.707 %	NA %	41.707 %	22.670 - 38.666 %	51.957 %	116.334 - 132.330 %
2008	42.455	NA	42.455	21.801 - 37.766	52.454	116.710 - 132.675
2009	40.900	0.108	41.008	20.303 - 37.107	52.288	113.491 - 130.295
2010	42.340	0.477	42.817	20.656 - 36.881	52.594	115.590 - 131.815
2011	43.418	0.723	44.141	21.917 - 37.268	54.017	119.352 - 134.703
2012	44.649	4.535	49.184	22.493 - 41.811	57.446	129.123 - 148.441
2013	50.856	0.302	51.158	21.584 - 42.233	57.979	130.721 - 151.370
2014	47.803	1.644	49.447	22.219 - 36.320	58.319	129.985 - 144.086
2015	48.524	1.693	50.217	21.115 - 41.642	57.532	128.864 - 149.391
2016	49.708	1.624	51.332	20.023 - 40.916	57.796	129.151 - 150.044

Source: Olmsted County Assessor

**Note:** The City's direct property tax rate is determined by dividing the amount of tax levied by the Common Council by the City's total tax capacity.

\*Overlapping rates are those of local and county governments that apply to property owners within the City of Rochester. Not all overlapping rates apply to all City of Rochester property owners. Although the county property tax rates apply to all city property owners, some city properties lie within the geographical boundaries of different school districts.

**CITY OF ROCHESTER, MINNESOTA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayers (1)	2015 Taxes Payable			2006 Taxes Payable		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Mayo Foundation/Association	\$ 11,092,474	1	10.39 %	\$ 4,637,961	1	5.46 %
MEPC-Apache Properties	1,153,266	2	1.08	930,446	3	1.09
IBM Corporation	961,166	3	0.90	825,757	4	0.97
Minnesota Energy Resources	854,470	4	0.80			
Sunstone Kahler	526,394	5	0.49	968,790	2	1.14
Maine Land LLC	482,596	6	0.45			
MN Bio Business Center	455,440	7	0.43			
Sunstone Skyway LLC	429,266	8	0.40			
Carpenter & Torgerson SSMR	402,494	9	0.38			
Rochester Development Inc	356,648	10	0.33			
IRET Properties				548,922	5	0.65
Mortenson Development				476,012	6	0.56
BGD5 - Ltd Partnership				222,280	10	0.26
Utilicorp United				324,290	7	0.38
Leslie E Nelson(various prop)				302,038	8	0.36
Target Corporation				302,038	9	0.36
TOTAL	<u>\$ 16,714,214</u>		<u>15.65 %</u>	<u>\$ 9,538,534</u>		<u>11.23 %</u>

(1) Source: Olmsted County Property Records

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (2)		Total Delinquent Taxes (3)	Delinquent Taxes As A % Of Total Net Tax Levy
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy		
2006	\$ 35,159,505	\$ 32,947,173	\$ 32,528,890	98.73%	\$ 246,701	\$ 32,775,591	99.48%	\$ (403)	
2007	37,438,500	35,219,727	34,649,500	98.38	353,697	35,003,197	99.39	492	
2008	39,965,404	37,769,398	37,245,742	98.61	358,700	37,604,442	99.56	(10,446)	(0.03)
2009	41,487,000	39,282,764	38,551,029	98.14	496,035	39,047,064	99.40	2,195	0.01
2010	44,272,624	42,032,311	41,252,386	98.14	475,144	41,727,530	99.27	5,222	0.01
2011	45,832,300	43,528,945	42,867,162	98.48	205,972	43,073,134	98.95	7,745	0.02
2012	47,934,440	47,935,157	47,401,428 (4)	98.89	102,620	47,504,048	99.10	34,393	0.07
2013	49,048,118	49,050,665	48,651,206 (4)	99.19	263,587	48,914,793	99.72	49,705	0.10
2014	49,048,118	49,047,377	48,758,518 (4)	99.41	180,515	48,939,033	99.78	82,645	0.17
2015	52,500,000	52,344,016	52,093,839 (4)	99.52		52,093,839	99.52	271,063	0.52

(1) Tax Levy adjusted for Market Value Credit in 2004-2012, and County "spread difference" in 2013 thru 2015.

(2) Excludes Tax Increment Districts and Mobile Home Tax Collections.

(3) On records of Olmsted County Auditor before allowance for uncollectible. Excludes Mobile Home Taxes.

Olmsted County Auditor Balances are net of tax abatements and additions which are not presented in the schedule.

(4) The Net Tax Levy amount is slightly higher in 2012 thru 2015 due to rounding by the formula that Olmsted County uses to spread the tax levy across the multitude of properties.



**CITY OF ROCHESTER, MINNESOTA**  
**ELECTRIC, WATER AND SANITARY SEWER CHARGES BY CUSTOMER**  
**LAST TEN FISCAL YEARS**

Electricity (in millions of Kilowatt Hours)	Fiscal Year										
	<u>Type of Customer</u>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential		336	341	349	343	346	345	325	328	343	334
General Service		644	637	641	635	643	644	634	641	641	624
Industrial Service		205	212	225	237	237	240	246	307	308	293
Street & Highway Lighting		6	7	7	6	7	7	7	6	7	7
Rental Lights		1	1	1	1	1	1	1	1	1	1
Interdepartmental Service		7	8	8	8	7	7	8	8	9	9
Total KWH		1,199	1,206	1,231	1,230	1,241	1,244	1,221	1,291	1,309	1,268
Total direct rate per Kilowatt Hour		\$ 0.111	\$ 0.108	\$ 0.105	\$ 0.105	\$ 0.105	\$ 0.101	\$ 0.099	\$ 0.092	\$ 0.089	\$ 0.081
Water (in millions of gallons)	<u>Type of Customer</u>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential		2,001	2,089	2,141	2,372	2,193	2,107	2,250	2,297	2,379	2,375
Commercial Service		1,568	1,512	1,500	1,654	1,585	1,505	1,549	1,617	1,654	1,594
Industrial Service		483	486	537	507	525	521	518	462	534	575
Interdepartmental Service		17	14	56	44	54	68	85	161	198	136
Total gallons		4,069	4,101	4,234	4,577	4,357	4,201	4,402	4,537	4,765	4,680
Total direct rate per 1,000 gallons		\$ 1.914	\$ 1.830	\$ 1.778	\$ 1.724	\$ 1.740	\$ 1.758	\$ 1.687	\$ 1.655	\$ 1.606	\$ 1.529
Sanitary Sewer ( in millions of gallons)	<u>Type of Customer</u>	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Residential		1,541	1,613	1,596	1,563	1,591	1,641	1,679	1,640	1,586	1,637
Commercial		1,818	1,819	1,853	1,636	1,639	1,639	1,633	1,787	1,683	1,787
Industrial		823	864	830	807	774	734	835	638	697	722
Total gallons		4,182	4,296	4,279	4,006	4,004	4,014	4,147	4,065	3,966	4,146
Total direct rate per 1,000 gallons		\$ 5.390	\$ 5.003	\$ 4.630	\$ 4.571	\$ 4.225	\$ 3.851	\$ 3.272	\$ 2.287	\$ 2.096	\$ 1.895

**Source:** City of Rochester Public Utilities - Electric & Water  
City of Rochester - Water Reclamation Plant - Sanitary Sewer

**CITY OF ROCHESTER, MINNESOTA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

**Governmental Activities**

Fiscal Year	Taxable GO Bonds <sup>3</sup>	Sales Tax Bonds	Lodging Tax Bonds	Sales Tax Notes	Tax Increment Bonds <sup>1</sup>	Equipment Certificates of Indebtedness <sup>1</sup>	Airport Hangar Notes	REDA Lease Revenue Bonds	Energy Improvement Loan	Pollution Cleanup Loan <sup>3</sup>
2006	\$	\$ 7,275,130	\$	\$2,078,000	\$ 2,465,264	\$	\$ 458,762	\$	\$ 5,715,795	\$
2007				1,965,000	2,378,511		374,832	9,900,000	5,231,245	
2008				4,349,000	2,286,921		304,172	16,600,000	4,846,199	
2009				4,143,000	10,036,806	815,000	237,776	16,600,000	4,445,206	
2010	26,785,609			3,928,000	9,841,721	740,000	189,851	16,215,000	4,027,603	108,439
2011	26,781,386			3,707,000	9,586,023	665,000	141,926	15,810,000	3,592,703	
2012	26,728,006				9,079,422	595,000	101,178	15,385,000	3,139,789	
2013	25,854,627				8,548,965	520,000	74,786	14,940,000	2,668,116	
2014	24,960,265				7,895,273	440,000	48,390	14,470,000	2,176,906	
2015	24,066,886	30,427,617	46,169,933		7,224,787	355,000	21,996	13,985,000	1,665,350	

**Note:** Details of the city's outstanding debt can be found in the notes to the financial statements.

- 1 City issued \$8,035,000 GO Taxable Tax Increment Bonds; \$2,825,000 of GO Revenue Refunding Bonds; \$815,000 of GO Equipment Certificates of Indebtedness and \$6,790,000 of Electric Utility Revenue Notes in 2009; \$60,840,000 of GO Revenue Crossover Refunding Bonds in 2012
- 2 Includes general bonded debt, other governmental activities debt, blended component unit debt and business-type activities debt.
- 3 City issued \$26,700,000 Taxable GO Build America Bonds and a Minnesota Department of Economic Development Pollution Cleanup Reimbursement Loan Note in 2010.

See Schedule 15 for personal income and population data.

## Business-Type Activities

Total Governmental Activities Debt	Electric/Water Revenue Bonds/Notes	Wastewater Utility Bonds <sup>1</sup>	Obligation Under Capital Lease	Total Business Activities Debt <sup>1</sup>	Total Primary Government Debt <sup>2</sup>	Percentage of Personal Income	Per Capita
\$ 17,992,951	\$48,580,707	\$92,838,076	\$	\$ 141,418,783	\$ 159,411,734	4.17%	1,616
19,849,588	95,563,178	140,811,294	663,703	237,038,175	256,887,763	6.35%	2,547
28,386,292	92,858,838	138,746,229	450,604	232,055,671	260,441,963	6.11%	2,542
36,277,788	96,601,878	135,403,610	228,252	232,233,740	268,511,528	6.10%	2,568
61,836,223	92,387,227	131,964,877	16,867	224,368,971	286,205,194	6.02%	2,681
60,284,038	88,390,093	128,110,462	12,505	216,513,060	276,797,098	5.80%	2,561
55,028,395	84,186,770	197,467,210	518,410	282,172,390	337,200,785	6.74%	3,082
52,606,494	123,084,540	191,886,009	258,123	315,228,672	367,835,166	7.37%	3,334
49,990,834	118,203,372	184,156,051		302,359,423	352,350,257	6.80%	3,169
123,916,569	114,723,414	131,262,002		245,985,416	369,901,985	N/A	3,307

**CITY OF ROCHESTER, MINNESOTA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

**General Bonded Debt Outstanding**

Fiscal Year	Taxable GO Bonds	Sales Tax Bonds and Notes	Lodging Tax Bonds	Tax Increment Bonds	Wastewater Utility Bonds	Equipment Certificates of Indebtedness	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2006	\$	\$ 9,353,130	\$	\$ 2,465,264	\$ 92,838,076	\$	\$ 104,656,470	\$ (107,469)	\$ 104,549,001	1.49	\$ 1,060
2007		1,965,000		2,378,511	140,811,294		145,154,805	(824,831)	144,329,974	1.91	1,431
2008		4,349,000		2,286,921	138,746,229		145,382,150	(772,422)	144,609,728	1.82	1,412
2009		4,143,000		10,036,806	135,403,610	815,000	150,398,416	(620,869)	149,777,547	1.78	1,432
2010	26,785,609	3,928,000		9,841,721	131,964,877	740,000	173,260,207	(562,948)	172,697,259	2.01	1,617
2011	26,781,386	3,707,000		9,586,023	128,110,462	665,000	168,849,871	(627,491)	168,222,380	1.95	1,556
2012	26,728,006			9,079,422	197,467,210	595,000	233,869,638	(74,780,296) (1)	159,089,342	1.99	1,454
2013	25,854,627			8,548,965	191,886,009	520,000	226,809,601	(71,652,154) (1)	155,157,447	1.93	1,406
2014	24,960,265			7,895,273	184,156,051	440,000	217,451,589	(68,819,668) (1)	148,631,921	1.81	1,337
2015	24,066,886	30,427,617	46,169,933	7,224,787	131,262,002	355,000	239,506,225	(27,733,327) (2)	211,772,898	2.49	1,893

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Schedule 15 for personal income and population data

See Schedule 5 for estimated market value information

Source: City of Rochester Finance Department

(1) Includes funds of \$67,363,909 (2014), \$70,130,432 (2013), and \$73,286,008 (2012) in an escrow account to cover three years of interest payments on the Series 2012A Bonds and the 2016-2026 maturities of the series 2004A Bonds.

(2) Includes funds of \$23,007,895 (2015) in an escrow account to cover two years of interest payments on the Series 2015B Bonds and the 2016-2026 maturities of the series 2007A Bonds.

**CITY OF ROCHESTER, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
**December 31, 2015**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Independent School District #531	\$ 47,355,295	0.52%	\$ 246,248
Independent School District #534	29,741,539	9.89%	2,941,438
Independent School District #535	65,251,424	85.63%	55,874,794
<b>Other debt</b>			
Olmsted County	129,157,159	70.04%	90,461,674
Independent School District #534	607,100	9.89%	<u>60,042</u>
Subtotal, overlapping debt			149,584,196
<b>City direct debt</b>	123,916,569		<u>123,916,569</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 273,500,765</u></u>

**Sources:** Tax capacity data to estimate applicable percentages provided by Olmsted County Property Records  
Debt outstanding data provided by each governmental unit.

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

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity value that is within the City's boundaries and dividing it by each unit's total tax capacity value.

**CITY OF ROCHESTER, MINNESOTA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(Dollars in Thousands)

**Legal Debt Margin Calculation for the Fiscal Year 2015**

Market Value	\$ 8,840,073
Debt Limit (2% of market value)	176,801
Debt applicable to limit:	
Energy improvement loan	1,665
GO Equipment Certificates	355
Taxable GO Build America Bonds, Series 2010A	24,010
Less: Amount set aside for repayment of:	
Energy Improvement Loan	(132)
Public Works and Transit Operation Center Bond	(1,403)
Total net debt applicable to limit	24,495
Legal debt margin	\$ 152,306

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 176,801	\$ 169,903	\$ 163,821	\$ 160,384	\$ 239,953	\$ 258,625	\$ 257,749	\$ 168,259	\$ 158,731	\$ 151,077
Total net debt applicable to limit	24,495	26,063	27,448	28,892	30,336	30,911	5,019	4,540	4,990	5,609
Legal debt margin	\$ 152,306	\$ 143,840	\$ 136,373	\$ 131,492	\$ 209,617	\$ 227,714	\$ 252,730	\$ 163,719	\$ 153,741	\$ 145,468
Total net debt applicable to the limit as a percentage of debt limit	13.85%	15.34%	16.75%	18.01%	12.64%	11.95%	1.95%	2.70%	3.14%	3.71%

The legal debt limit for Cities of the First Class in Minnesota is 2% of the market value of taxable property. The City of Rochester became a City of the First Class in 2012. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, tax increment, sales and lodging tax supported bonds.

**CITY OF ROCHESTER, MINNESOTA**  
**PLEDGED REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
(Dollars in Thousands)

Fiscal Year	Electric Utility Bonds						Water Utility Note					
	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2006	\$ 130,723	\$ 117,883	\$ 12,840	\$ 1,750	\$ 2,427	3.07	\$ 7,748	\$ 5,171	\$ 2,577	\$ 25		103.08
2007	156,772	120,945	35,827	2,335	3,252	6.41	8,274	5,230	3,044	355	72	7.13
2008	147,462	129,655	17,807	2,165	4,202	2.80	8,174	5,248	2,926	370	55	6.88
2009	136,149	120,377	15,772	2,485	4,064	2.41	8,192	5,439	2,753	390	42	6.37
2010	142,768	127,248	15,520	3,630	4,061	2.02	8,133	5,426	2,707	410	20	6.30
2011	142,413	123,151	19,262	3,824	3,871	2.50	8,321	6,199	2,122			
2012	142,603	123,562	19,041	4,025	1,807	3.26	8,620	5,959	2,661			
2013	140,978	126,786	14,192	8,860	4,492	1.06	8,282	6,385	1,897			
2014	142,961	126,149	16,812	4,300	5,178	1.77	8,287	6,725	1,562			
2015	145,856	125,362	20,494	6,090	5,091	1.83	8,661	6,454	2,207			

Fiscal Year	Sewer Utility Bonds						Airport T-Hanger Notes					
	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Airport Hangar Rental	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2006	\$ 11,394	\$ 6,930	\$ 4,464	\$ 1,150	\$ 4,041	0.86	\$ 63	\$ 63	\$ 62	\$		1.02
2007	13,234	8,354	4,880	1,770	5,634	0.66	65	65	84			0.77
2008	13,647	9,471	4,176	1,815	5,774	0.55	61	61	71			0.86
2009	15,151	8,683	6,468	5,915	5,480	0.57	59	59	66			0.89
2010	16,873	8,555	8,318	3,190	5,369	0.97	59	59	48			1.23
2011	18,382	9,046	9,336	3,605	5,272	1.05	60	60	48			1.25
2012	20,462	9,722	10,740	2,875	6,954	1.09	59	59	41			1.44
2013	21,926	10,294	11,632	4,835	6,709	1.01	56	56	26			2.15
2014	24,250	10,164	14,086	6,545	6,446	1.08	57	57	26			2.19
2015	27,487	11,081	16,406	6,369	3,760	1.62	61	61	26			2.35

Fiscal Year	REDA Lease Revenue Bonds					
	Building Rental	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2010	\$ 981	\$	\$ 981	\$ 385	\$ 772	0.85
2011	1,063		1,063	405	753	0.92
2012	1,063		1,063	425	734	0.92
2013	1,063		1,063	445	713	0.92
2014	1,063		1,063	470	692	0.91
2015	1,073		1,073	485	669	0.93

**Note:** Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expense, but does include payments to the City's General Fund in lieu of tax, reported as transfers out on pages 29 and 30.

**CITY OF ROCHESTER, MINNESOTA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>YEAR</b>	<b>POPULATION (1)</b>	<b>PERSONAL INCOME</b> (thousands of dollars)	<b>PER CAPITA PERSONAL INCOME (2)</b>	<b>PUBLIC SCHOOL ENROLLMENT (3)</b>	<b>UNEMPLOYMENT RATE (4)</b>
2006	98,649	3,819,196	38,715	15,868	3.2
2007	100,845	4,045,700	40,118	16,330	4.0
2008	102,437	4,266,296	41,648	16,181	5.4
2009	104,578	4,399,178	42,066	15,804	6.0
2010	106,769	4,753,569	44,522	16,427	5.5
2011	108,100	4,775,209	44,174	16,443	4.8
2012	109,400	4,999,799	45,702	16,734	4.8
2013	110,337	4,990,653	45,231	16,889	3.8
2014	111,187	5,182,537	46,611	17,144	3.1
2015	111,850	N/A	N/A	17,457	2.9

Sources: (1) State Demographers Estimate/2012-Census Bureau  
 (2) Bureau of Economic Analysis - Rochester MSA  
 (3) Independent School District #535  
 (4) Minnesota Department of Jobs & Training



**CITY OF ROCHESTER, MINNESOTA  
PRINCIPAL EMPLOYERS  
PREVIOUS YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2014</b>			<b>2006</b>		
	<b>Employees <sup>(1)</sup></b>	<b>Rank</b>	<b>Percentage of Total City Employment <sup>(2)</sup></b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Mayo Clinic	32,271	1	27.68%	30,000	1	27.50%
IBM <sup>(3)</sup>	N/A	-		4,400	2	4.03%
Rochester Public Schools	2,657	2	2.28%	2,200	3	2.02%
Olmsted County	1,339	3	1.15%	1,138	5	1.04%
Olmsted Medical Center	1,217	4	1.04%	1,181	4	1.08%
Charter Communications	1,061	5	0.91%			
City of Rochester	841	6	0.72%	847	8	0.78%
Kahler Hospitality Group	701	7	0.60%	725	9	0.66%
Crenlo	680	8	0.58%			
RCTC	500	9	0.43%			
Federal Medical Center	450	10	0.39%			
Wal-Mart/Sam's Club				1,005	6	0.92%
Hy-Vee Food Stores				880	7	0.81%
Sunstone Hotels				650	10	0.60%

(1) Rochester Area Economic Development, Inc

(2) Bureau of Economic Analysis -  
Rochester MSA 2014 employment

(3) Company does not provide data

**CITY OF ROCHESTER, MINNESOTA**  
**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Mayor and Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
City Administrator	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Development District Administration	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Business District Maintenance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.67		
City Clerk/Elections/Parking Ticket Coll.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finance	12.00	12.00	12.00	11.50	11.00	11.00	11.00	11.00	11.00	11.00
City Attorney	12.00	12.00	12.00	12.00	12.00	11.50	11.00	11.00	11.00	11.00
Human Resources	9.00	9.00	9.00	8.50	8.00	8.00	8.00	8.00	7.17	7.00
Information Systems	13.00	13.00	11.00	10.50	10.00	10.00	10.00	10.00	10.00	10.00
Maintenance City Hall	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>General Government</b>	<b>69.00</b>	<b>69.00</b>	<b>67.00</b>	<b>65.50</b>	<b>64.00</b>	<b>63.50</b>	<b>63.00</b>	<b>62.67</b>	<b>61.17</b>	<b>61.00</b>
Police	165.75	164.50	164.50	164.50	164.17	162.18	161.50	156.50	151.00	145.00
Public Safety Communications	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	26.00
Fire	104.00	104.00	104.00	104.00	104.00	104.00	107.00	107.67	107.00	107.00
Building Safety	26.58	26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00
Animal Control	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	3.00
Flood Control Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Emergency Management	1.00	1.00	1.00	1.00	1.00	0.50				
<b>Public Safety</b>	<b>327.33</b>	<b>325.50</b>	<b>325.50</b>	<b>325.50</b>	<b>325.17</b>	<b>322.68</b>	<b>325.50</b>	<b>321.17</b>	<b>315.00</b>	<b>309.00</b>
Engineering	35.50	34.00	34.00	35.00	35.00	35.00	36.00	35.83	35.00	35.00
Traffic	8.00	8.00	8.00	8.00	8.00	8.00	9.00	9.00	9.00	10.00
Street and Alley	47.75	47.00	47.00	44.00	44.00	44.00	45.00	45.00	44.25	44.00
<b>Public Works</b>	<b>91.25</b>	<b>89.00</b>	<b>89.00</b>	<b>87.00</b>	<b>87.00</b>	<b>87.00</b>	<b>90.00</b>	<b>89.83</b>	<b>88.25</b>	<b>89.00</b>
Music	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Library	52.25	51.25	51.25	49.75	49.75	50.75	52.75	52.58	51.75	51.75
<b>Total Culture</b>	<b>56.25</b>	<b>55.25</b>	<b>55.25</b>	<b>53.75</b>	<b>53.75</b>	<b>54.75</b>	<b>56.75</b>	<b>56.58</b>	<b>55.75</b>	<b>55.75</b>
Park & Recreation Administration	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Recreation	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Golf	11.00	11.00	11.00	9.00	9.00	11.00	12.00	12.00	11.00	11.00
Tennis Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Volleyball Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Graham Arenas	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.83	2.00	2.00
Parks	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Parkway Landscaping	2.00	2.00	2.00	2.00	1.42					
Recreation Center	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Mayo Civic Center	15.00	15.00	15.00	15.00	15.00	15.00	15.00	13.83	13.00	13.00
<b>Parks and Recreation</b>	<b>74.00</b>	<b>74.00</b>	<b>74.00</b>	<b>72.00</b>	<b>71.42</b>	<b>72.00</b>	<b>73.00</b>	<b>71.66</b>	<b>69.00</b>	<b>69.00</b>
Mass Transit	1.00									
<b>Mass Transit</b>	<b>1.00</b>									
<b>Total Governmental Activities</b>	<b>618.83</b>	<b>612.75</b>	<b>610.75</b>	<b>603.75</b>	<b>601.34</b>	<b>599.93</b>	<b>608.25</b>	<b>601.91</b>	<b>589.17</b>	<b>583.75</b>
Parking Administration/Operations	4.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Electric Utility	163.00	168.00	186.00	186.00	185.00	182.00	189.00	186.00	181.00	181.00
Water Utility	21.00	21.00	21.00	21.00	19.00	19.00	19.00	19.00	20.00	20.00
Sewer Utility	37.75	37.00	38.00	39.00	38.50	37.00	38.00	38.00	37.50	36.00
Storm Water Utility	7.00	7.00	6.00	5.79	5.00	6.00	6.00	6.00	6.00	6.00
<b>Total Business Activities</b>	<b>232.75</b>	<b>238.00</b>	<b>255.00</b>	<b>255.79</b>	<b>251.50</b>	<b>248.00</b>	<b>256.00</b>	<b>253.00</b>	<b>248.50</b>	<b>247.00</b>
<b>Totals for Organization</b>	<b>851.58</b>	<b>850.75</b>	<b>865.75</b>	<b>859.54</b>	<b>852.84</b>	<b>847.93</b>	<b>864.25</b>	<b>854.91</b>	<b>837.67</b>	<b>830.75</b>

Source: City's Adopted Budgets

**CITY OF ROCHESTER, MINNESOTA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Police</b>										
Part I crimes	2,771	2,430	2,780	2,953	2,557	2,679	3,117	3,183	2,835	2,826
Part II crimes	3,405	3,398	3,070	3,465	3,647	3,832	4,160	4,143	4,037	3,903
Arrests	3,101	2,805	2,904	2,974	2,881	3,422	3,857	3,757	3,692	3,350
<b>Fire</b>										
Total emergency responses	9,764	9,107	8,798	8,578	7,975	8,023	7,585	7,719	7,542	6,661
EMS responses	6,338	5,991	5,918	5,692	5,544	5,095	4,935	5,096	4,449	4,481
Fire responses	237	177	211	223	189	214	200	232	283	268
<b>Public Works</b>										
Streets resurfaced (miles)	34	42	28	11	14	12	17	17	7	10
Residential snow plowing (miles)	4,900	5,060	5,420	5,120	4,680	5,000	5,500	4,320	4,320	4,010
<b>Airport</b>										
Airline passengers	231,966	237,341	223,791	214,522	224,327	240,237	257,426	297,857	319,233	296,889
Air cargo (millions of pounds)	25.40	25.00	20.03	19.40	18.40	18	17	18	29.07	28.90
<b>Transit</b>										
Passengers (millions)	1.75	1.71	1.75	1.78	1.70	1.56	1.62	1.77	1.55	1.43
Route miles (thousands)	1,570	1,519	1,212	1,257	1,260	1,261	1,167	1,084	990	953
<b>Library</b>										
Annual circulation (millions)	1.54	1.64	1.74	1.64	1.64	1.61	1.60	1.60	1.51	1.47
Annual program attendance	110,818	97,110	88,328	39,151	28,578	66,471	30,282	30,387	26,036	24,417
<b>Park &amp; Recreation</b>										
Rounds of golf played	85,160	83,770	86,700	100,100	90,027	97,337	98,525	96,905	91,484	105,076
Hours of arena ice rentals	8,500	8,500	9,000	9,000	8,000	8,000	8,000	8,000	8,000	2,810
<b>Mayo Civic Center</b>										
Number of Events	265	367	356	339	399	319	398	379	414	396
Number of Attendees	288,199	303,087	337,762	311,282	308,159	298,449	325,533	313,874	302,996	285,319
Event days	1,384	1,209	1,463	1,849	2,117	1,293	1,353	1,480	1,203	1,279
Event tickets sold	97,073	108,461	113,638	111,364	110,988	NA	NA	NA	NA	NA
<b>Electric Utility</b>										
Number of customers	51,774	50,800	50,382	49,990	49,407	48,219	47,675	47,407	46,954	46,433
Average daily consumption (megawatt hours)	3,286	3,305	3,372	3,371	3,401	3,410	3,345	3,537	3,584	3,470
<b>Water Utility</b>										
Number of customers	38,833	38,330	38,034	37,667	37,269	36,951	36,732	36,413	36,070	35,527
Average daily consumption (millions of gallons)	11.15	11.23	11.60	12.54	12	11.51	12.06	12.43	13.05	12.80
<b>Sanitary Sewer Utility</b>										
Gallons of wastewater treated annually (millions of gallons)	4,333	4,876	5,049	4,846	5,114	5,004	4,836	4,847	5,030	4,904

Sources: Various City Department's annual budget workload measurements

**CITY OF ROCHESTER, MINNESOTA**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<b>Function/Program</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	5	5	5	5	5	5	4	4
Public Works										
Streets (miles)	536	533	529	526	524	522	511	507	502	500
Intersections w/traffic signals	154	152	147	146	142	142	142	139	137	139
Street lights	9,105	9,256	9,360	9,245	9,255	9,240	9,180	9,085	9,045	8,814
Storm sewer (miles)	307	300	294	291	291	322	266	264	262	261
Airport										
9,033' x 150' No./So. runway	1	1	1	1	1	1	1	1	1	1
7,300' x 150' E/W runway	1	1	1	1	1	1	1	1	1	1
Transit										
Transit buses	58	51	45	52	50	48	44	44	44	56
Bus shelters	79	75	68	67	67	67	62	60	60	60
Library										
Physical Holdings (thousands)	464	471	461	461	459	451	446	438	422	428
Park & Recreation										
Acres of parkland	4,400	4,145	4,129	4,060	3,606	3,603	3,603	3,093	3,060	3,045
Number of parks	120	118	118	111	105	104	104	103	101	99
Number of golf courses	4	4	4	4	4	4	4	4	4	4
Electric Utility										
Miles of distribution line	804	793	788	772	769	742	726	717	709	697
Water Utility										
Miles of watermain	587	583	578	574	571	570	569	565	561	557
Number of fire hydrants	6,976	6,922	6,849	6,799	6,773	6,751	6,735	6,693	6,598	6,554
Sanitary Sewer Utility										
Miles of sanitary sewer	479	479	479	473	473	472	470	467	467	466
Treatment capacity (thousands of gallons)	23,850	23,850	23,850	23,850	23,850	23,850	23,850	23,850	23,850	19,100
Area of City (square miles)	55.19	55.19	55.08	54.75	54.73	54.67	54.67	53.41	51.89	51.44

Sources: Various City Department's annual financial report statistics and budget workload measurements

