

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2023

(This Page is Left Blank Intentionally)

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the City of Rochester, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position 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 December 31, 2023, and the respective changes in financial position, cash flows, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the electric and water enterprise funds, both of which are major enterprise funds, which represent 60 percent, 50 percent, and 81 percent, respectively of the total assets and deferred outflows of resources, net position, and revenues of the business-type activities. We did not audit the financial statements of the Destination Medical Center Corporation (DMCC) (a blended component unit), which represent 0.9 percent, 0 percent, and 0 percent, respectively, of the total assets, fund balance, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rochester, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 1, the City adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, effective January 1, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rochester, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Rochester, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rochester, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 combining and individual nonmajor fund financial statements and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, Schafn and Associates, Ltd.

Rochester, Minnesota
June 20, 2024

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, 2023, with comparative data for the fiscal year ended December 31, 2022. 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.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Rochester exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,867,915,112 (*net position*). Of this amount, \$353,277,146 (*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 \$144,225,055.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$337,598,482, an increase of \$49,932,936 in comparison with the prior year. Approximately 15 percent of this total amount, or \$49,721,892, 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 \$53,103,811 or approximately 49.8 percent of total general fund expenditures. This is above the City's target of 42 percent of expenditures.
- The City of Rochester decreased total outstanding long-term debt obligations by \$11,334,151 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources is 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, 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 can be found on pages 19-21 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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*.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds (continued). The City of Rochester maintains twenty-two 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 capital improvement fund, both of which are considered to be major funds. Data from the other twenty 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 100-110 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 26-27) and the special revenue funds (pages 104-110) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22-27 of this report.

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 four 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 28-35 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 36-94 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 100-115 of this report.

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

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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,867,915,112 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net position (71 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's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 433,142,913	\$ 377,084,915	\$ 320,355,588	\$ 297,095,732	\$ 753,498,501	\$ 674,180,647
Capital assets	888,411,515	843,702,363	738,956,624	716,081,659	1,627,368,139	1,559,784,022
Total assets	<u>1,321,554,428</u>	<u>1,220,787,278</u>	<u>1,059,312,212</u>	<u>1,013,177,391</u>	<u>2,380,866,640</u>	<u>2,233,964,669</u>
Deferred outflows of resources	64,680,401	79,045,805	5,940,842	9,310,397	70,621,243	88,356,202
Total assets and deferred outflows of resources	<u>1,386,234,829</u>	<u>1,299,833,083</u>	<u>1,065,253,054</u>	<u>1,022,487,788</u>	<u>2,451,487,883</u>	<u>2,322,320,871</u>
Long-term liabilities						
outstanding	135,959,925	130,251,398	188,838,357	206,335,028	324,798,282	336,586,426
Other liabilities	109,136,109	168,491,714	39,344,674	45,271,509	148,480,783	213,763,223
Total liabilities	<u>245,096,034</u>	<u>298,743,112</u>	<u>228,183,031</u>	<u>251,606,537</u>	<u>473,279,065</u>	<u>550,349,649</u>
Deferred inflows of resources	72,469,875	12,171,589	37,823,831	36,109,576	110,293,706	48,281,165
Total liabilities and deferred inflows of resources	<u>317,565,909</u>	<u>310,914,701</u>	<u>266,006,862</u>	<u>287,716,113</u>	<u>583,572,771</u>	<u>598,630,814</u>
Net position:						
Net investment in capital assets	767,991,393	725,640,067	566,598,543	524,936,814	1,334,589,936	1,250,576,881
Restricted	179,403,815	135,688,020	644,215	616,298	180,048,030	136,304,318
Unrestricted	121,273,712	127,590,295	232,003,434	209,218,563	353,277,146	336,808,858
Total net position	<u>\$1,068,668,920</u>	<u>\$ 988,918,382</u>	<u>\$ 799,246,192</u>	<u>\$ 734,771,675</u>	<u>\$1,867,915,112</u>	<u>\$1,723,690,057</u>

An additional portion of the City of Rochester's net position (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$353,277,146) 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.

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

Governmental activities. Governmental activities increased the City of Rochester's net position by \$79,750,538. Most of this increase can be attributable to the capital grants and contributions (primarily street contributions, park grants, and state grants for Destination Medical Center capital projects). Additional net position growth resulted from operating grants and contributions, including new Public Safety Aid allocation, and unused contingency.

Business-type activities. Business-type activities increased the City of Rochester's net position by \$64,474,517. This increase is due to contributions of assets in the storm water, sewer, electric utilities, and water utilities as well as program revenues which exceeded expenses in all business activities.

A condensed version of the Statement of Activities follows:

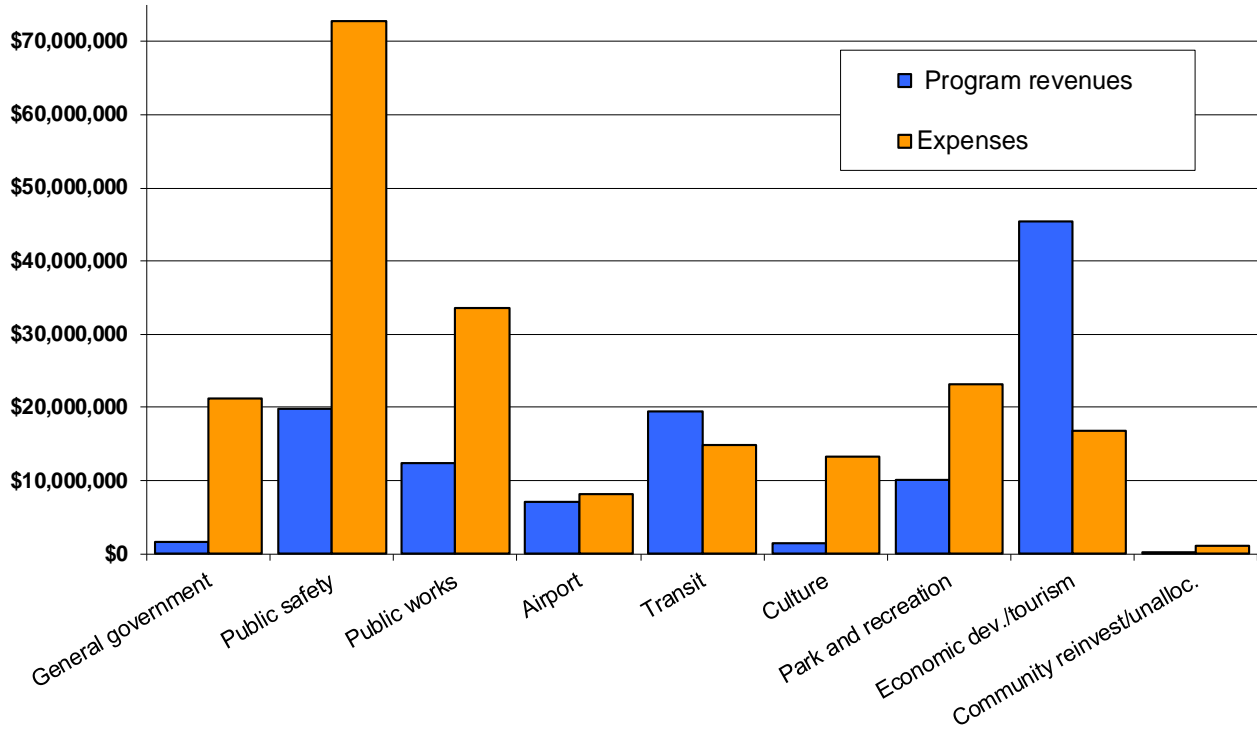
City of Rochester's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenue:						
Program revenues:						
Charges for services	\$ 26,398,250	\$ 25,885,410	\$ 250,982,967	\$ 239,557,396	\$ 277,381,217	\$ 265,442,806
Operating grants and contributions	27,585,300	19,705,887			27,585,300	19,705,887
Capital grants and contributions	63,576,479	62,281,842	15,355,118	13,294,769	78,931,597	75,576,611
General revenues:						
Property taxes	93,565,999	86,509,296			93,565,999	86,509,296
Other taxes	46,102,295	42,725,434			46,102,295	42,725,434
Grants and contributions not restricted to specific programs						
Local government aid	3,958,994	6,372,634			3,958,994	6,372,634
Other	10,356	28,330			10,356	28,330
Miscellaneous	18,182,927	(4,339,820)	11,262,235	61,127	29,445,162	(4,278,693)
Total revenues	<u>279,380,600</u>	<u>239,169,013</u>	<u>277,600,320</u>	<u>252,913,292</u>	<u>556,980,920</u>	<u>492,082,305</u>
Expenses:						
General government	21,133,440	18,735,843			21,133,440	18,735,843
Public safety	72,852,302	63,336,181			72,852,302	63,336,181
Public works	33,526,923	32,242,937			33,526,923	32,242,937
Airport	8,140,228	7,724,803			8,140,228	7,724,803
Transit	14,914,565	13,566,701			14,914,565	13,566,701
Culture	13,267,738	12,383,510			13,267,738	12,383,510
Park and recreation	23,139,996	21,611,325			23,139,996	21,611,325
Economic development/tourism	16,735,567	15,907,783			16,735,567	15,907,783
Community reinvestment/unallocated	1,019,784	1,031,028			1,019,784	1,031,028
Interest on long-term debt	3,646,040	3,592,834			3,646,040	3,592,834
Parking			6,515,825	5,546,851	6,515,825	5,546,851
Electric			162,277,471	156,119,006	162,277,471	156,119,006
Water			12,259,099	11,550,948	12,259,099	11,550,948
Sewer			16,222,419	15,805,792	16,222,419	15,805,792
Storm water			7,104,468	6,141,262	7,104,468	6,141,262
Total expenses	<u>208,376,583</u>	<u>190,132,945</u>	<u>204,379,282</u>	<u>195,163,859</u>	<u>412,755,865</u>	<u>385,296,804</u>
Increase in net position before transfers	71,004,017	49,036,068	73,221,038	57,749,433	144,225,055	106,785,501
Transfers	8,746,521	7,721,804	(8,746,521)	(7,721,804)		
Increase in net position	79,750,538	56,757,872	64,474,517	50,027,629	144,225,055	106,785,501
Net position - beginning of year	988,918,382	932,160,510	734,771,675	684,744,046	1,723,690,057	1,616,904,556
Net position, end of year	<u>\$ 1,068,668,920</u>	<u>\$ 988,918,382</u>	<u>\$ 799,246,192</u>	<u>\$ 734,771,675</u>	<u>\$ 1,867,915,112</u>	<u>\$ 1,723,690,057</u>

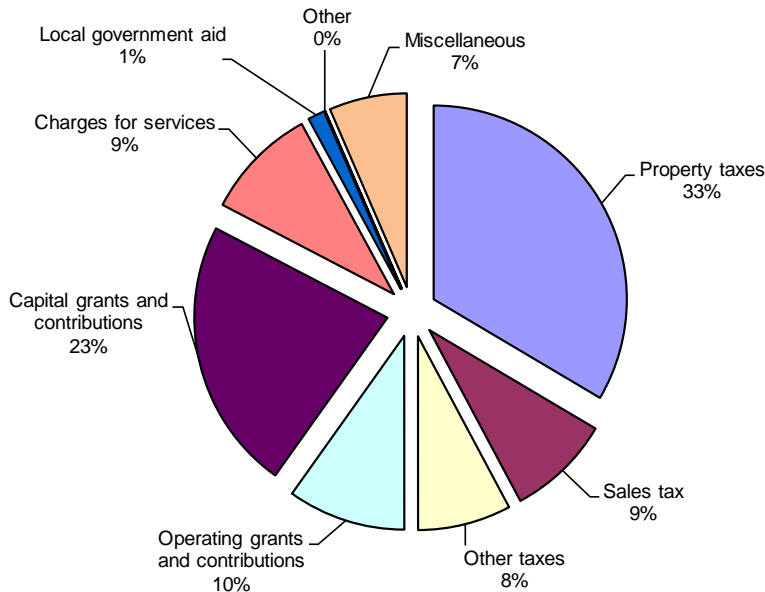
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



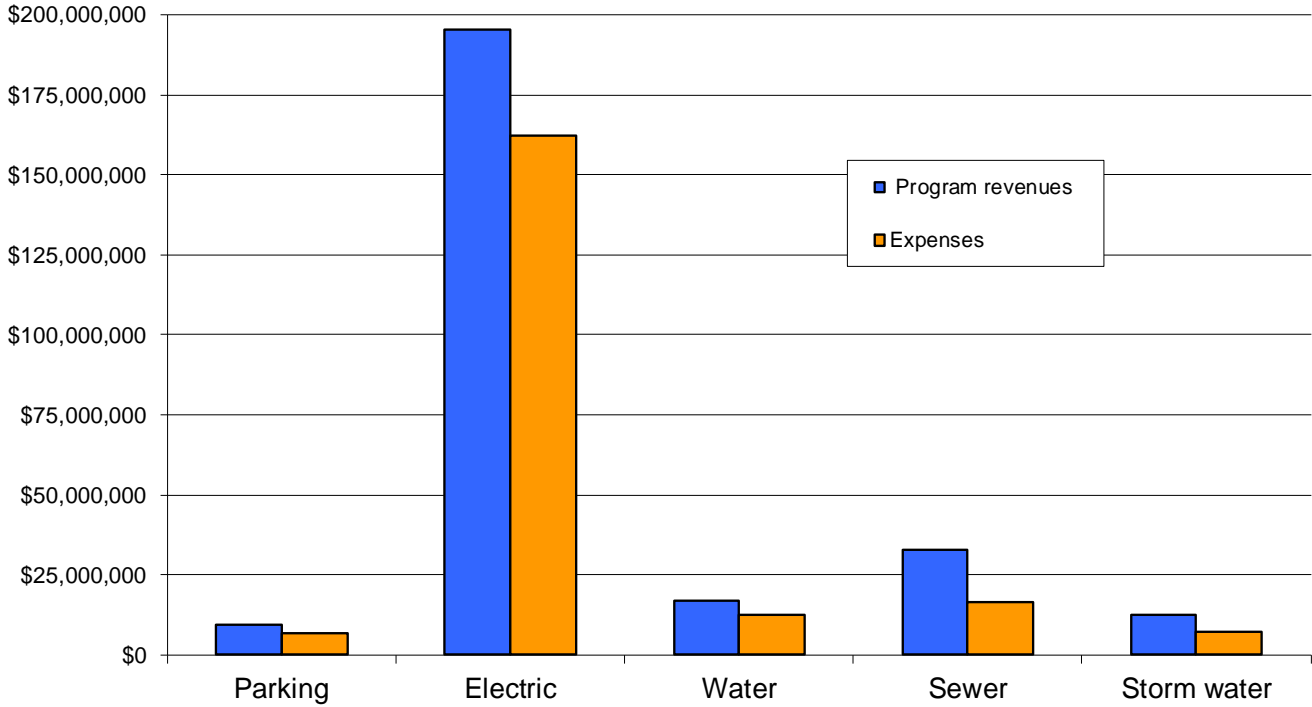
Revenues by Source - Governmental Activities



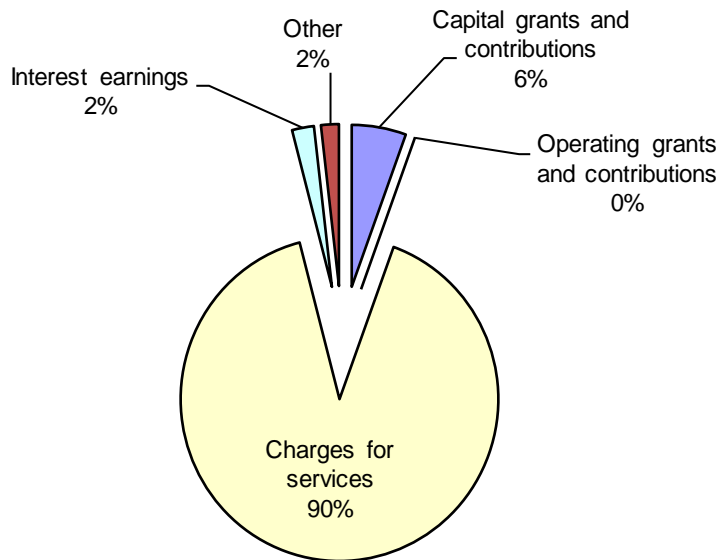
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$337,598,482, an increase of \$49,932,936 from the prior year. The general fund increased fund balance by \$4.7 million due to increased fair value of investments, operational savings of various departments, and remaining contingency balance. The capital improvement fund increased fund balance by \$40.4 million, largely due to sales tax collections, state funding for Destination Medical Center, and issuance of debt service for Park projects. Additionally, all other governmental funds reflected a net increase of \$4.8 million in fund balance, largely showing up in the Airport fund as well as the Municipal Recreation System and Transit Fund.

Approximately 15 percent of the total fund balance, or \$49,721,892, constitutes unassigned fund balance, which is available for spending at the government's discretion, \$1,312,348 is considered to be nonspendable (prepaid or inventory), \$175,419,284 has been restricted by grantors, donors, debt covenants, or regulation, \$95,263,092 has been committed by council action for CIP projects, and \$15,881,866 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 \$4,711,371 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$51,673,746 while total fund balance amounted to \$54,318,246. 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 48 percent of total general fund expenditures, while total fund balance represents 51 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 \$223,279 for the year. Much of this increase was the result of new gift appropriations. Additionally, operational expenditures were held \$252,478 below the approved budget.

The municipal recreation fund increased its fund balance by \$379,737 as charges for services were greater than expected and operational savings in Recreation, Park, and Plummer House has savings offsetting the losses in the other divisions.

The Mayo Civic Center fund increased its fund balance by \$47,907, which can be attributed to an increase in fair value of investments and interest earnings. The Mayo Civic Center operations are no longer reflected as revenues and expenditures of the City. Beginning January 1, 2020, the City contracted with the Rochester Convention and Visitors Bureau to manage operations of the facility. The expenditures related to the management contract with the Rochester Convention and Visitors Bureau are now reported in the general fund.

The airport fund increased its total fund balance by \$1,757,098 for the year to \$12,123,636, which can be attributed to rental revenues exceeding budget and continued grant support from the pandemic. Additionally, Council provided \$506,628 in budgeted tax levy for the airport in 2023 and there were no transfers to capital improvement projects all in an effort to restore fund balance in this area.

The transit fund saw an increase in fund balance of \$1,344,670 due to an increase in grant revenue, which was greater than the increase in expenditures, and a decrease in transfers out for capital improvement needs.

Minnesota Bio Science Center fund increased fund balance by \$215,653, after \$927,560 was transferred out for debt service. The facility continues to maintain a consistently high occupancy level.

Debt service fund balances increased by \$793,168.

The capital improvement fund increased fund balance by \$40,374,003 due in large part to the sales tax collections, state funding for Destination Medical Center projects, and a Public Safety Aid allocation.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. The City of Rochester's *proprietary funds* statements found on pages 28-35 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 - \$17,241,793 Electric - \$122,297,342, Water - \$13,705,713, Sewer - \$47,171,524, and Storm Water - \$32,171,038. All proprietary funds reported increases in total net position for the year.

The Sewer Utility reported a \$16.8 million increase in net position for the year despite a decrease in revenues from prior year. Sewer related development revenues were down from 2022, but an increase in the fair value of investments offset the decrease. Sewer Utility's rates were increased based upon a rate study completed during 2021, and the City Council adopted a six-year schedule of rate adjustments through 2027. In addition, the "plant investment fee" was increased to \$3,900 in 2023. The schedule of rate increases was necessary as sewer flows continued to fall below plan and funding is needed for significant capital needs.

The Water Utility's net position increased \$6.0 million in 2023 due in part to increased revenues. The utility's rates increased 5.0% in 2023 and increased 5.5% in January 2024. A water utility cost of service study was completed in 2022, with the Utility board and City Council accepting a five-year schedule of rate adjustments.

The Electric Utility net position increased \$30.5 million in 2023. This utility's rates increased 2.5% in 2022 and increased 3.2% in January 2024. A cost-of-service study was completed in 2023, with the Utility Board and City Council accepting a five-year schedule of rate adjustments.

The Parking Enterprise's net position increased \$1.4 million. Parking revenues decreased during 2023 in part due to the one-hour free parking in an attempt to re-invigorate the downtown area. During 2018, the City Council approved a rate study setting rates for 2019 through 2023. The plan calls for rate increases every other year with the goal of continual support of operations and capital needs.

The Storm Water Utility's net position increased \$11.3 million in 2023 due in large part to capital contributions. There was no increase in Storm Water rates. The rate study completed in 2015 creating a five-year rate adjustment expired in 2020, and a new study has not been completed.

Internal Service funds. The City of Rochester's *internal service funds* account for its fleet of vehicles, its risk management program, and for its management information systems.

The equipment revolving fund's net position increased \$1,376,192 in 2023 primarily due to an increase in investment earnings and capital contributions.

The information technology revolving fund's net position increased \$1,317,098 in 2023 primarily due to equipment rental revenues surpassing current replacement needs.

The self-insurance fund's net position decreased \$4,826,595 in 2023 primarily due to an increase in health insurance claims due in part to a change in lag factor estimates.

The employee benefit fund's net position increased \$1,153,751 in 2023 primarily due to transfers from other funds.

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

General Fund Budgetary Highlights

The City approved the 2023 general fund budget anticipating a 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, and Police accounting for the new subscription based IT arrangement standards.
- Increase in finance and attorney budgets due to unplanned expenditures.
- Increase in public works expenditures due to appropriation of revenues.
- Reductions in unallocated contingency account to offset increases in city clerk, PWTOC Building/Site Operations, and other initiatives.
- Increase in transfers out for capital improvement project.

At the close of the year, general fund total expenditures were \$4,287,869 below final budget while actual revenues were above final budget by \$4,813,357. These variances to budget can be traced to higher than expected lodging tax, licenses and permits revenue, Police and Fire State Aids, and savings in most divisions due to cost savings measures.

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, 2023, amounts to \$1,627,368,139 (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 \$67,584,117, or 4.3 percent. This increase is a result of significant construction activities on the Airport runway, in infrastructure including streets, underground mains, and continued improvements to the electric distribution and transmission systems.

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

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 80,904,513	\$ 77,849,052	\$ 24,768,225	\$ 24,681,665	\$ 105,672,738	\$ 102,530,717
Buildings	268,256,892	266,516,504	329,929,408	315,501,997	598,186,300	582,018,501
Improvements other than buildings	53,557,753	49,316,828			53,557,753	49,316,828
Machinery and equipment	38,495,655	33,586,413	308,275,043	309,558,201	346,770,698	343,144,614
Infrastructure	361,296,461	350,339,697			361,296,461	350,339,697
Construction in progress	82,232,699	66,093,869	75,343,463	66,339,796	157,576,162	132,433,665
Right to use subscription asset	3,667,542		640,485		4,308,027	
Total	\$888,411,515	\$ 843,702,363	\$738,956,624	\$716,081,659	\$ 1,627,368,139	\$ 1,559,784,022

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 58-60 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$287,320,802 in debt outstanding. Of this amount, \$114,403,000 comprises debt backed by the full faith and credit of the government, \$171,745,000 represents bonds and notes secured solely by specified revenue sources, and \$1,172,802 represents financed purchases secured by park referendum dollars. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.

City of Rochester's Outstanding Debt

General Obligation and Revenue Bonds, and Notes Payable

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 750,000	\$ 1,095,000	\$	\$	\$ 750,000	\$ 1,095,000
General obligation tax increment revenue bonds	17,535,000	18,390,000			17,535,000	18,390,000
General obligation lodging tax revenue bonds	31,755,000	33,550,000			31,755,000	33,550,000
General obligation equipment certificates of indebtedness	1,435,000	1,695,000			1,435,000	1,695,000
General obligation refunding bonds	14,980,000	15,805,000			14,980,000	15,805,000
General obligation sales tax revenue bonds	10,135,000	12,940,000			10,135,000	12,940,000
General obligation tax abatement bonds	12,375,000				12,375,000	
General obligation revenue crossover refunding bonds			24,400,000	32,415,000	24,400,000	32,415,000
Revenue bonds	25,438,000	26,732,000	147,345,000	154,740,000	172,783,000	181,472,000
Financed purchases	1,172,802	1,292,953			1,172,802	1,292,953
Total	<u>\$ 115,575,802</u>	<u>\$ 111,499,953</u>	<u>\$ 171,745,000</u>	<u>\$ 187,155,000</u>	<u>\$ 287,320,802</u>	<u>\$ 298,654,953</u>

The City of Rochester’s total outstanding debt decreased by \$11,334,151 during the current fiscal year.

There was one bond issuance during 2023 for Soldiers Field aquatics, Silver Lake park, and other park improvements in the amount of \$12,375,000.

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:l, beginning on page 66.

The City of Rochester maintains an AAA bond rating on its general obligation bonds from both Moody’s Investors Service and Standard and Poors. Rochester Public Utility has Aa3 bond rating from Moody’s Investors Service and an AA rating from Fitch.

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

Economic Factors and Next Year's Budgets and Rates

- Rochester's unemployment rate decreased by 0.2 percent to 2.5 percent by the end of March 2024. This remains below the state and U.S. averages of 3.2 percent and 3.9 percent, respectively. A gain of 3,736 jobs brought the total employment figure through March 2024 to 125,833 from the March 2023 level of 122,097.
- Building activity was down in 2023. Commercial and residential building permits issued for 2023 totaled \$528,634,529. Permit totals were down 6 percent from a year ago and up 1.4 percent from 2021. Permit values for the first quarter of 2024 totaled \$97,579,061. This represents a decrease of 17.8 percent over first quarter 2023 and an decrease of 40.7 percent over the first quarter of 2022.
- The DMCC plan adopted by the City Council and the Destination Medical Center Board in 2015 is a strategic business plan to address land use, transportation, infrastructure, business development, marketing, and operational strategies over the 20-year period. It outlines a \$6 billion economic development initiative to secure Minnesota's status as a global medical destination center now and in the future. The program includes 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.

Construction of the "Heart of the City" was completed in early 2022 while the construction of the "Discovery Walk" area of the downtown is well underway and is anticipated to be completed in 2024. The transportation studies are complete and pre-design phase of the rapid transit project is underway. These are important steps in securing federal funding this significant project envisioned in the plan. Additionally, transit hub locations have been identified and secured as well as the electric buses and charging stations needed on the circulator routes to bring riders from the transit hubs to the downtown DMCC district and back.

All of these public improvements give confidence to the private sector which has now invested over \$1.60 billion in the DMCC district since initiation of the plan.

- The voters approved an extension of Rochester's ½-cent sales tax in November 2023. Further road and transit facility projects are planned for 2023. This extension authorizes \$205 million over the course of approximately 24 years. The sales tax funding will focus on economic vitality, street reconstruction, flood control and water quality projects, and a regional sports and recreation complex.
- Construction continues on the important reconstruction work on the City's main runway 2/20 at the Rochester International Airport. This project is estimated to cost \$79.2 million and will require a mix of state, City, and federal funds to complete.
- The City's tax levy was increased by 9.44% for pay 2024, which was up from 6.85% for pay 2023.

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

Economic Factors and Next Year's Budgets and Rates (continued)

- A Park and Recreation referendum was passed in November 2020. The referendum gives \$2 million per year to Park and Recreation beginning with pay 2021. The City issued a \$12.375 million general obligation bond in May of 2023 to fund a prioritized list of “accelerated park improvement projects”. One-half of this annual referendum levy will be used to repay this bond.
- The Council approved an \$11.4 million 2024 bond issue. The bond proceeds will be used to fund the transition of the existing heating for the City's downtown buildings, including City Hall, Mayo Civic Center, and Library, from a steam system to a geothermal district energy system.
- Interest rates continue to rise after remaining at historical lows since 2010. We have begun to adjust our budget estimates to reflect this fact, however, inflationary impacts on fuel and many supplies will more than offset this gain in our returns on the investment portfolio.

All of these factors were considered in preparing the City of Rochester's budget for the 2024 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 4th Street SE, Room 204, Rochester, MN 55904.

CITY OF ROCHESTER, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2023

(This Page is Left Blank Intentionally)

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,383,471	\$ 20,500,250	\$ 40,883,721
Investments	347,820,840	204,609,137	552,429,977
Land held for resale	625,000		625,000
Receivables (net of allowance for uncollectibles)	20,888,657	30,633,248	51,521,905
Lease receivable	7,657,782	20,979,038	28,636,820
Internal balances	558,057	(558,057)	
Due from other governmental units	27,323,134	1,527,983	28,851,117
Accrued utility revenues		3,699,749	3,699,749
Restricted cash and investments	6,573,624	13,839,988	20,413,612
Restricted funds held in trust		48	48
Inventory	1,188,502	11,668,072	12,856,574
Prepaid items	123,846		123,846
Other assets		13,456,132	13,456,132
Capital assets:			
Nondepreciable	163,137,212	100,111,688	263,248,900
Depreciable, net	725,274,303	638,844,936	1,364,119,239
Total Assets	<u>1,321,554,428</u>	<u>1,059,312,212</u>	<u>2,380,866,640</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from OPEB activity	4,006,966		4,006,966
Deferred outflows from pension activity	60,673,435	4,522,478	65,195,913
Unamortized deferred amount on refunding		1,418,364	1,418,364
Total Deferred Outflows of Resources	<u>64,680,401</u>	<u>5,940,842</u>	<u>70,621,243</u>
LIABILITIES			
Accounts and contracts payable	10,617,883	15,005,222	25,623,105
Deposits payable	1,166	2,542,498	2,543,664
Accrued interest payable	1,727,364	816,964	2,544,328
Accrued compensation and payroll taxes	4,273,707	1,304,711	5,578,418
Accrued claims	7,806,006	6,000	7,812,006
Due to other governmental units	2,426,164	76,173	2,502,337
Unearned revenue	1,415,725	1,594,428	3,010,153
Noncurrent liabilities:			
Due within one year:			
Long-term liabilities	13,392,452	19,015,457	32,407,909
Subscription liability	616,774	191,155	807,929
Post-employment benefit liability	847,169		847,169
Due in more than one year:			
Long-term liabilities	122,567,473	169,822,900	292,390,373
Subscription liability	3,112,517		3,112,517
Post-employment benefit liability	15,693,324		15,693,324
Net pension liability	60,598,310	17,807,523	78,405,833
Total Liabilities	<u>245,096,034</u>	<u>228,183,031</u>	<u>473,279,065</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from OPEB activity	2,659,322		2,659,322
Deferred inflows from pension activity	62,152,771	5,752,784	67,905,555
Deferred inflows from leasing activity	7,657,782	19,910,598	27,568,380
Unamortized deferred amount on refunding		2,427,932	2,427,932
Solar choice deferred inflows of resources		277,550	277,550
Advance payments		9,454,967	9,454,967
Total Deferred Inflows of Resources	<u>72,469,875</u>	<u>37,823,831</u>	<u>110,293,706</u>
NET POSITION			
Net investment in capital assets	767,991,393	566,598,543	1,334,589,936
Restricted for:			
Airport	12,123,636		12,123,636
CDBG loans	3,984,531		3,984,531
Economic development loan	252,765		252,765
Civic music endowment	43,794		43,794
Park and recreation	40,451		40,451
Debt service	4,063,116	644,167	4,707,283
Children's playgrounds	719,809		719,809
Settlement funds	362,970		362,970
Flood control	11,973,617		11,973,617
Tax increment financing	11,099,255		11,099,255
Sales tax authorized projects	47,971,594		47,971,594
Destination medical center	86,768,277		86,768,277
Funds held in trust		48	48
Unrestricted	121,273,712	232,003,434	353,277,146
Total Net Position	<u>\$ 1,068,668,920</u>	<u>\$ 799,246,192</u>	<u>\$ 1,867,915,112</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 21,133,440	\$ 1,428,454	\$ 132,414	\$ 57,909
Public safety	72,852,302	9,899,680	9,890,766	
Public works	33,526,923	754,622	1,256,008	10,360,550
Airport	8,140,228	4,666,176	1,498,424	1,009,113
Transit	14,914,565	1,792,514	12,166,629	5,572,433
Culture	13,267,738	39,099	1,369,568	
Park and recreation	23,139,996	4,476,410	492,273	5,165,757
Economic development/tourism	16,735,567	3,341,295	699,865	41,410,717
Community reinvestment/unallocated	1,019,784		79,353	
Interest on long-term debt	3,646,040			
Total governmental activities	208,376,583	26,398,250	27,585,300	63,576,479
Business-Type activities:				
Parking	6,515,825	7,319,749		1,985,015
Electric utility	162,277,471	188,035,309		7,262,150
Water utility	12,259,099	14,608,747		2,199,730
Sewer utility	16,222,419	31,684,793		1,025,090
Storm water utility	7,104,468	9,334,369		2,883,133
Total business-type activities	204,379,282	250,982,967		15,355,118
Total	\$ 412,755,865	\$ 277,381,217	\$ 27,585,300	\$ 78,931,597

General revenues:
 General property taxes
 Tax increments collection
 Sales tax
 Nonproperty taxes
Grants and contributions not restricted to specific programs:
 Local government aid
 Other
 Interest earnings
 Gain on disposition of property
 Net increase in the fair value of investments
 Miscellaneous
Transfers
 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (19,514,663)	\$	\$ (19,514,663)
(53,061,856)		(53,061,856)
(21,155,743)		(21,155,743)
(966,515)		(966,515)
4,617,011		4,617,011
(11,859,071)		(11,859,071)
(13,005,556)		(13,005,556)
28,716,310		28,716,310
(940,431)		(940,431)
<u>(3,646,040)</u>		<u>(3,646,040)</u>
<u>(90,816,554)</u>		<u>(90,816,554)</u>
	2,788,939	2,788,939
	33,019,988	33,019,988
	4,549,378	4,549,378
	16,487,464	16,487,464
	<u>5,113,034</u>	<u>5,113,034</u>
	<u>61,958,803</u>	<u>61,958,803</u>
<u>(90,816,554)</u>	<u>61,958,803</u>	<u>(28,857,751)</u>
93,565,999		93,565,999
10,167,738		10,167,738
24,282,182		24,282,182
11,652,375		11,652,375
3,958,994		3,958,994
10,356		10,356
6,932,235	6,183,494	13,115,729
1,175,619	45,223	1,220,842
8,133,830	5,307,800	13,441,630
1,941,243	(274,282)	1,666,961
8,746,521	<u>(8,746,521)</u>	
<u>170,567,092</u>	<u>2,515,714</u>	<u>173,082,806</u>
79,750,538	64,474,517	144,225,055
<u>988,918,382</u>	<u>734,771,675</u>	<u>1,723,690,057</u>
<u>\$ 1,068,668,920</u>	<u>\$ 799,246,192</u>	<u>\$ 1,867,915,112</u>

(This Page is Left Blank Intentionally)

CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2023

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,758,946	\$ 7,552,689	\$ 5,132,252	\$ 18,443,887
Investments	47,170,840	222,929,700	28,350,000	298,450,540
Land held for resale		625,000		625,000
Accrued interest receivable	941,295	1,463,235	198,544	2,603,074
Accounts receivable (net of allowance for uncollectibles)	1,221,251	473,889	2,142,962	3,838,102
Lease receivable			7,657,782	7,657,782
Loans receivable		267,450	3,984,531	4,251,981
Taxes receivable delinquent	1,050,826	90,182	301,816	1,442,824
Special assessments receivable:				
Deferred		8,175,569		8,175,569
Delinquent	43,323	29,354	127,145	199,822
Due from other funds	1,105,241	3,535,307	323,682	4,964,230
Due from other governmental units	3,107,483	23,501,069	712,237	27,320,789
Prepaid items	15,199		108,647	123,846
Restricted cash and investments	43,794	6,529,548	282	6,573,624
Inventory	1,155,442		33,060	1,188,502
TOTAL ASSETS	\$ 61,613,640	\$ 275,172,992	\$ 49,072,940	\$ 385,859,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 1,220,559	\$ 7,203,653	\$ 1,602,276	\$ 10,026,488
Accrued compensation and payroll taxes	3,623,188		650,519	4,273,707
Due to other funds	884,612	1,125,351	226,463	2,236,426
Advances from other funds		4,517,238	1,900,000	6,417,238
Unearned revenue	333,162	371,476	524,218	1,228,856
Due to other governmental units	139,724	23,668	2,187,005	2,350,397
Total Liabilities	6,201,245	13,241,386	7,090,481	26,533,112
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes	1,050,826	90,182	301,816	1,442,824
Special assessments	43,323	8,204,923	127,145	8,375,391
Loans receivable		267,450	3,984,531	4,251,981
Leases receivable			7,657,782	7,657,782
Total Deferred Inflows of Resources	1,094,149	8,562,555	12,071,274	21,727,978
Fund Balance:				
Nonspendable	1,170,641		141,707	1,312,348
Restricted	43,794	158,105,959	17,269,531	175,419,284
Committed		95,263,092		95,263,092
Assigned	1,430,065		14,451,801	15,881,866
Unassigned	51,673,746		(1,951,854)	49,721,892
Total Fund Balance	54,318,246	253,369,051	29,911,185	337,598,482
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 61,613,640	\$ 275,172,992	\$ 49,072,940	\$ 385,859,572

See Notes to the Financial Statements

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, 2023

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

Total governmental fund balances (page 22)		\$ 337,598,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 1,356,549,014	
Less: Accumulated depreciation	<u>(484,321,404)</u>	872,227,610
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 1,642,646	
Deferred special assessments	8,175,569	
Loans receivable	<u>4,251,981</u>	14,070,196
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and deferred outflows of resources and liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		45,544,621
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	\$ 60,673,435	
Deferred inflows related to pensions	<u>(62,152,771)</u>	(1,479,336)
Long-term liabilities, including bonds payable and financed purchase leases payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (112,968,000)	
Financed purchase leases payable	(1,172,802)	
Subscription liability	(2,461,504)	
Net pension liability	(60,598,310)	
Compensated absences	(12,739,546)	
Accrued interest	(1,707,914)	
Unamortized bond premium	<u>(7,644,577)</u>	<u>(199,292,653)</u>
Net position of governmental activities (page 19)		<u>\$ 1,068,668,920</u>

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

For the Year Ended December 31, 2023

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 62,738,512	\$ 7,963,614	\$ 21,333,600	\$ 92,035,726
Tax increment collection		9,772,310	395,428	10,167,738
Sales tax		24,282,182		24,282,182
Special assessments		1,668,230		1,668,230
Utility connection and availability		148,188		148,188
Nonproperty taxes	6,808,719	4,478,194	365,462	11,652,375
Licenses and permits	5,714,733			5,714,733
Fines and forfeits	359,319			359,319
Intergovernmental revenues	9,782,815	63,483,775	15,999,157	89,265,747
Charges for services	5,949,624	350,847	8,759,344	15,059,815
Interest earnings	874,912	4,537,556	582,551	5,995,019
Net increase in the fair value of investments	1,195,831	5,026,500	728,399	6,950,730
Rental revenues	55,171	724,209	4,724,607	5,503,987
Miscellaneous revenues	677,954	1,393,548	897,655	2,969,157
Total Revenues	<u>94,157,590</u>	<u>123,829,153</u>	<u>53,786,203</u>	<u>271,772,946</u>
EXPENDITURES				
Current:				
General government	18,095,782			18,095,782
Public safety	65,076,168		67,958	65,144,126
Public works	16,560,521			16,560,521
Airport operations			5,361,973	5,361,973
Transit			12,765,184	12,765,184
Culture	1,523,851		9,238,919	10,762,770
Park and recreation			14,169,159	14,169,159
Economic development/tourism	4,473,744		4,743,934	9,217,678
Community reinvestment and unallocated	1,020,179			1,020,179
Debt service			11,784,486	11,784,486
Capital outlay		89,335,713		89,335,713
Total Expenditures	<u>106,750,245</u>	<u>89,335,713</u>	<u>58,131,613</u>	<u>254,217,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,592,655)</u>	<u>34,493,440</u>	<u>(4,345,410)</u>	<u>17,555,375</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt		12,281,175	93,825	12,375,000
Premium on issuance of debt		1,554,162		1,554,162
Sale of assets		1,158,995		1,158,995
SBITA proceeds	2,766,849			2,766,849
Transfers in	17,728,030	5,451,530	12,385,115	35,564,675
Transfers out	(3,190,853)	(14,565,299)	(3,285,968)	(21,042,120)
Total other financing sources (uses)	<u>17,304,026</u>	<u>5,880,563</u>	<u>9,192,972</u>	<u>32,377,561</u>
Net change in fund balances	4,711,371	40,374,003	4,847,562	49,932,936
Fund Balance - beginning	<u>49,606,875</u>	<u>212,995,048</u>	<u>25,063,623</u>	<u>287,665,546</u>
Fund Balance - ending	<u>\$ 54,318,246</u>	<u>\$ 253,369,051</u>	<u>\$ 29,911,185</u>	<u>\$ 337,598,482</u>

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, 2023

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

Net change in fund balances - total governmental funds (page 24)		\$ 49,932,936
<p>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.</p>		
Capital outlay-capitalized	\$ 75,765,296	
Depreciation and amortization expense	<u>(30,098,864)</u>	45,666,432
<p>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.</p>		
		(4,891,353)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(329,748)
<p>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 increased by this amount this year.</p>		
		1,229,390
<p>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.</p>		
Compensated absences December 31, 2023	\$ (12,739,546)	
Compensated absences December 31, 2022	<u>12,139,425</u>	(600,121)
<p>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.</p>		
Issuance of long-term debt	\$ (12,375,000)	
Premium on issuance of long-term debt	(1,554,162)	
Principal retirement on long-term debt	7,919,000	
Principal retirement on Subscription liability	305,346	
Change in pension activity	(6,516,700)	
Amortization of bond premium	521,605	
Change in accrued interest	<u>(202,034)</u>	(11,901,945)
<p>Some capital asset additions are financed through financed purchase leases. In governmental funds, a financed purchase lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.</p>		
Repayment of financed purchased lease principal		120,151
<p>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</p>		
		<u>524,796</u>
Change in net position of governmental activities (pages 20 and 21)		<u>\$ 79,750,538</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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 62,944,462	\$ 62,944,462	\$ 62,738,512	\$ (205,950)
Nonproperty taxes	6,159,082	6,159,082	6,808,719	649,637
Licenses and permits	4,895,454	4,984,779	5,714,733	729,954
Fines and forfeits	335,631	352,337	359,319	6,982
Intergovernmental revenues	7,677,406	8,430,381	9,782,815	1,352,434
Charges for services	5,258,008	5,630,193	5,949,624	319,431
Interest earnings	235,000	237,515	874,912	637,397
Net increase in the fair value of investments			1,195,831	1,195,831
Rental revenues	43,417	43,417	55,171	11,754
Miscellaneous revenues	297,273	562,067	677,954	115,887
Total Revenues	87,845,733	89,344,233	94,157,590	4,813,357
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	1,239,911	1,246,833	1,194,064	52,769
City Administrator	3,164,824	3,093,993	2,966,623	127,370
Development District Administration	113,723	91,829		91,829
City Clerk	901,411	938,315	845,992	92,323
Elections and Voter Registration	444,516	450,214	392,082	58,132
Finance Department	2,217,231	2,436,075	2,272,063	164,012
Information Systems	2,904,022	3,035,226	2,999,889	35,337
City Attorney	1,918,098	2,738,887	2,521,362	217,525
Human Resources	2,572,072	2,619,174	2,216,650	402,524
Community Development	1,012,502	842,114	788,524	53,590
Planning Services	935,188	916,152	782,909	133,243
DSIC and North Station Maintenance	355,445	357,883	333,213	24,670
City Hall Maintenance	532,262	534,752	489,142	45,610
Joint Facilities Maintenance	373,977	327,417	293,269	34,148
Total General Government	18,685,182	19,628,864	18,095,782	1,533,082
Public Safety:				
Police Department	33,687,391	38,164,403	37,664,785	499,618
Fire Department	20,564,592	21,032,581	20,748,180	284,401
Fire Hazmat Response Team		91,042	76,498	14,544
Building Safety	4,269,680	5,024,624	5,017,063	7,561
Animal Control	408,508	412,685	396,768	15,917
Drug Enforcement Administration		448,066	71,252	376,814
Flood Control	817,244	900,125	765,816	134,309
Emergency Mgmt/Safety Council	398,588	434,896	335,806	99,090
Total Public Safety	60,146,003	66,508,422	65,076,168	1,432,254

See Notes to the Financial Statements

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, 2023

	Budgeted Amounts		2023	Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
EXPENDITURES (continued)				
Current:				
Public Works:				
Engineering	3,834,539	3,989,865	3,581,104	408,761
PWTOC Building/Site Operations	31,329	58,347	55,684	2,663
Traffic Engineer	1,659,923	1,763,817	1,691,061	72,756
Infrastructure Maintenance	10,252,382	10,459,984	9,850,573	609,411
City Lighting	1,119,024	1,123,461	1,382,099	(258,638)
Total Public Works	<u>16,897,197</u>	<u>17,395,474</u>	<u>16,560,521</u>	<u>834,953</u>
Culture:				
Art Center/Theatre/Senior Center	389,428	389,428	385,666	3,762
Music Department	1,121,535	1,324,615	1,138,185	186,430
Total Culture	<u>1,510,963</u>	<u>1,714,043</u>	<u>1,523,851</u>	<u>190,192</u>
Economic Development/Tourism	<u>4,469,030</u>	<u>4,479,030</u>	<u>4,473,744</u>	<u>5,286</u>
Unallocated:				
Community Reinvestment and Unallocated	<u>2,050,894</u>	<u>1,312,281</u>	<u>1,020,179</u>	<u>292,102</u>
Total Unallocated	<u>2,050,894</u>	<u>1,312,281</u>	<u>1,020,179</u>	<u>292,102</u>
Total Expenditures	<u>103,759,269</u>	<u>111,038,114</u>	<u>106,750,245</u>	<u>4,287,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,913,536)</u>	<u>(21,693,881)</u>	<u>(12,592,655)</u>	<u>9,101,226</u>
OTHER FINANCING SOURCES (USES)				
SBITA proceeds		2,766,849	2,766,849	
Transfers in	16,749,100	17,697,367	17,728,030	30,663
Transfers out	(1,584,600)	(2,431,779)	(3,190,853)	(759,074)
Total other financing sources (uses)	<u>15,164,500</u>	<u>18,032,437</u>	<u>17,304,026</u>	<u>(728,411)</u>
Net change in fund balances	(749,036)	(3,661,444)	4,711,371	8,372,815
Fund Balance - beginning	<u>49,606,875</u>	<u>49,606,875</u>	<u>49,606,875</u>	
Fund Balance - ending	<u>\$48,857,839</u>	<u>\$45,945,431</u>	<u>\$54,318,246</u>	<u>\$ 8,372,815</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2023

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 517,732	\$ 15,550,092	\$ 1,961,033
Investments	12,546,552	101,598,966	12,812,719
Accrued interest receivable	76,531		
Accounts receivable	203,451	28,862,431	745,228
Accrued utility revenues		3,544,393	155,356
Lease receivable current		321,289	847,283
Taxes receivable delinquent			
Inventory, material, supplies and fuel		11,326,852	338,962
Due from other funds			
Advances to other funds	2,753,723		
Due from other governmental units	1,516,075		
Restricted and reserved cash		1,141,339	
Other assets		2,218,489	185,143
Total Current Assets	17,614,064	164,563,851	17,045,724
Noncurrent Assets:			
Capital assets:			
Nondepreciable	17,048,584	51,249,025	12,663,660
Depreciable	73,277,267	533,372,578	164,634,597
Less: Accumulated depreciation	(32,462,590)	(288,655,190)	(65,057,343)
Net capital assets	57,863,261	295,966,413	112,240,914
Lease receivable noncurrent			19,308,016
Restricted and reserved cash	114,548		
Restricted investments		12,584,101	
Restricted funds held in trust		48	
Other assets		11,042,454	
Total Noncurrent Assets	57,977,809	319,593,016	131,548,930
Total Assets	75,591,873	484,156,867	148,594,654
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		1,418,364	
Deferred outflows from OPEB activity			
Deferred outflows from pension activity	62,423	3,331,881	431,294
Total Deferred Outflows of Resources	62,423	4,750,245	431,294
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	59,546	14,069,332	508,260
Deposits payable		2,433,821	108,677
Accrued interest payable		497,172	
Accrued compensation and payroll taxes	22,268	903,410	119,612
Accrued compensated absences	50,235	2,215,247	274,795
Due to other funds	1,071	5,275,306	591,855
Due to other governmental units	45,141		
Unearned revenue			
Accrued claims			
Current portion of:			
Bonds payable		7,730,000	
Subscription liability		191,155	
Post employment benefit obligation			
Total Current Liabilities	178,261	33,315,443	1,603,199
Noncurrent Liabilities:			
Bonds payable, net of unamortized premium		149,648,005	
Subscription liability			
Accrued compensated absences		1,593,832	155,801
Net pension liability	266,995	13,142,567	1,665,588
Unearned revenue		1,594,428	
Accrued claims		6,000	
Post employment benefit obligation			
Total Noncurrent Liabilities	290,138	165,984,832	1,821,389
Total Liabilities	468,399	199,300,275	3,424,588
DEFERRED INFLOWS OF RESOURCES			
Advance payments		9,454,967	
Deferred charge on refunding			
Solar choice deferred inflows of resources		277,550	
Deferred inflows from leasing activity		316,836	19,091,312
Deferred inflows from OPEB activity			
Deferred inflows from pension activity	80,843	4,214,744	563,421
Total Deferred Inflows of Resources	80,843	14,264,097	19,654,733
Total Liabilities and Deferred Inflows of Resources	549,242	213,564,372	23,079,321
NET POSITION			
Net investment in capital assets	57,863,261	152,401,183	112,240,914
Restricted:			
Debt service		644,167	
Funds held in trust		48	
Unrestricted	17,241,793	122,297,342	13,705,713
Total Net Position	\$ 75,105,054	\$ 275,342,740	\$ 125,946,627

Amounts reported by business-type activities in the statement of net position (page 19) 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	
\$ 1,215,326	\$ 1,256,067	\$ 20,500,250	\$ 1,939,584
46,940,500	30,710,400	204,609,137	49,370,300
279,961	185,732	542,224	298,497
81,115	198,799	30,091,024	56,190
50,416		3,699,749	
		1,218,988	22,598
2,258		11,668,072	
2,685,913	751,011	3,436,924	
		2,753,723	3,663,515
11,908		1,527,983	2,345
		1,141,339	
		2,403,632	
<u>51,267,397</u>	<u>33,102,009</u>	<u>283,593,045</u>	<u>55,353,029</u>
8,636,606	10,513,813	100,111,688	562,465
361,543,894	110,037,850	1,242,866,186	51,891,386
(192,588,051)	(25,258,076)	(604,021,250)	(36,269,946)
177,592,449	95,293,587	738,956,624	16,183,905
452,034		19,760,050	
		114,548	
		12,584,101	
		48	
10,046		11,052,500	
178,054,529	95,293,587	782,467,871	16,183,905
229,321,926	128,395,596	1,066,060,916	71,536,934
		1,418,364	
606,356	90,524	4,522,478	4,006,966
606,356	90,524	5,940,842	4,006,966
57,134	310,950	15,005,222	601,914
		2,542,498	1,166
319,792		816,964	19,450
212,469	46,952	1,304,711	
341,416	73,764	2,955,457	
227,366	69,130	6,164,728	
11,485	19,547	76,173	75,767
			176,350
			6,575,682
8,330,000		16,060,000	270,000
		191,155	300,649
9,499,662	520,343	45,116,908	847,169
18,034,919		167,682,924	1,165,000
			967,139
327,086	40,114	2,139,976	
2,383,410	348,963	17,807,523	
		1,594,428	
		6,000	1,230,324
20,745,415	389,077	189,230,851	15,693,324
30,245,077	909,420	234,347,759	19,055,787
			27,923,934
		9,454,967	
2,427,932		2,427,932	
		277,550	
502,450		19,910,598	2,659,322
781,701	112,075	5,752,784	
3,712,083	112,075	37,823,831	2,659,322
33,957,160	1,021,495	272,171,590	30,583,256
148,799,598	95,293,587	566,598,543	13,481,117
		644,167	
		48	
47,171,524	32,171,038	232,587,410	31,479,527
<u>\$ 195,971,122</u>	<u>\$ 127,464,625</u>	<u>799,830,168</u>	<u>\$ 44,960,644</u>

(583,976)

\$ 799,246,192

**CITY OF ROCHESTER, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 For the Year Ended December 31, 2023**

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 7,319,749	\$	\$ 12,460,278
Sales and charges for services, pledged as security for revenue bonds		172,069,659	
Miscellaneous		15,965,650	2,148,469
Total Operating Revenues	<u>7,319,749</u>	<u>188,035,309</u>	<u>14,608,747</u>
Operating Expenses:			
Purchased power		99,424,449	
Maintenance and operations	4,619,852	40,310,976	9,194,983
Amortization of regulatory assets		452,190	
Depreciation and amortization	1,902,369	15,709,957	2,916,445
Total Operating Expenses	<u>6,522,221</u>	<u>155,897,572</u>	<u>12,111,428</u>
Operating Income (Loss)	<u>797,528</u>	<u>32,137,737</u>	<u>2,497,319</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Interest earnings	348,876	3,932,708	441,987
Net increase in the fair value of investments	456,100	2,614,767	333,433
Interest and fiscal charges:			
Revenue bonds		(5,273,450)	
Amortization of deferred charge		(99,609)	
Amortization of regulatory assets		(99,609)	
Gain on disposal of property			
Other income (expense)	12,615	(249,210)	(66,515)
Total Nonoperating Revenues (Expenses)	<u>817,591</u>	<u>925,206</u>	<u>708,905</u>
Income Before Transfers and Capital Contributions	1,615,119	33,062,943	3,206,224
Capital contributions	1,985,015	7,262,150	3,057,711
Transfers in	65,987		193,542
Transfers out	(2,272,928)	(9,822,840)	(490,813)
Change in net position	1,393,193	30,502,253	5,966,664
Net Position - Beginning of Year	<u>73,711,861</u>	<u>244,840,487</u>	<u>119,979,963</u>
Net Position - End of Year	<u>\$ 75,105,054</u>	<u>\$ 275,342,740</u>	<u>\$ 125,946,627</u>

Amounts reported by business-type activities in the statement of activities (pages 20-21) 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	
\$	\$ 8,998,567	\$ 28,778,594	\$ 34,912,042
31,432,088		203,501,747	
252,705	335,802	18,702,626	
<u>31,684,793</u>	<u>9,334,369</u>	<u>250,982,967</u>	<u>34,912,042</u>
		99,424,449	
11,527,575	5,028,177	70,681,563	36,074,873
		452,190	
5,282,125	2,048,638	27,859,534	3,712,679
<u>16,809,700</u>	<u>7,076,815</u>	<u>198,417,736</u>	<u>39,787,552</u>
<u>14,875,093</u>	<u>2,257,554</u>	<u>52,565,231</u>	<u>(4,875,510)</u>
			345,879
874,941	584,982	6,183,494	937,166
1,140,000	763,500	5,307,800	1,183,100
(349,156)		(5,622,606)	(102,389)
1,165,409		1,165,409	
		(99,609)	
45,223		45,223	40,828
<u>101,066</u>	<u>27,371</u>	<u>(174,673)</u>	<u>28,827</u>
<u>2,977,483</u>	<u>1,375,853</u>	<u>6,805,038</u>	<u>2,433,411</u>
17,852,576	3,633,407	59,370,269	(2,442,099)
1,788,607	8,087,361	22,180,844	412,853
1,027,711	894,957	2,182,197	1,188,186
<u>(3,890,189)</u>	<u>(1,277,674)</u>	<u>(17,754,444)</u>	<u>(138,494)</u>
16,778,705	11,338,051	65,978,866	(979,554)
<u>179,192,417</u>	<u>116,126,574</u>		<u>45,940,198</u>
<u>\$ 195,971,122</u>	<u>\$ 127,464,625</u>		<u>\$ 44,960,644</u>

(1,504,349)

\$ 64,474,517

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 7,380,707	\$ 184,944,492	\$ 13,811,200
Cash received from other City funds	43,935	6,645,804	277,518
Cash received from employees			
Cash paid to employees	(553,691)	(20,086,526)	(2,683,616)
Cash paid to suppliers	(4,097,328)	(124,827,200)	(7,405,101)
Service territory acquisition		(174,542)	
Other income	12,615		
Net Cash Provided By Operating Activities	<u>2,786,238</u>	<u>46,502,028</u>	<u>4,000,001</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Repayment of interfund advance	362,625		
Transfers in	65,987		193,542
Transfers out	(2,272,928)	(9,778,829)	(489,099)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(1,844,316)</u>	<u>(9,778,829)</u>	<u>(295,557)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from the sale of property			
Principal payments on bonds		(7,395,000)	
Interest and fiscal charges		(6,294,868)	
Principal payments on subscription liability		(873,300)	
Interest payments on subscription liability		(15,655)	
Capital contributions received	468,940	7,047,830	
Acquisition of capital assets	(3,709,368)	(21,933,277)	(3,851,427)
Net Cash Used In Capital and Related Financing Activities	<u>(3,240,428)</u>	<u>(29,464,270)</u>	<u>(3,851,427)</u>
Cash Flows From Investing Activities:			
Investment income	342,042	3,599,275	773,487
Net increase (decrease) in investments	2,345,500	(1,294,316)	519,020
Net Cash Provided By (Used In) Investing Activities	<u>2,687,542</u>	<u>2,304,959</u>	<u>1,292,507</u>
Net Increase (Decrease) in Cash and Cash Equivalents	389,036	9,563,888	1,145,524
Cash and Cash Equivalents, Beginning of Year	<u>243,244</u>	<u>7,127,543</u>	<u>815,509</u>
Cash and Cash Equivalents, End of Year	<u>\$ 632,280</u>	<u>\$ 16,691,431</u>	<u>\$ 1,961,033</u>
Classified As:			
Cash and Cash Equivalents	\$ 517,732	\$ 15,550,092	\$ 1,961,033
Restricted and Reserved Cash	<u>114,548</u>	<u>1,141,339</u>	<u></u>
Total Cash and Cash Equivalents, End of Year	<u>\$ 632,280</u>	<u>\$ 16,691,431</u>	<u>\$ 1,961,033</u>

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 31,821,276	\$ 9,030,949	\$ 246,988,624	\$
101,389	327,503	7,396,149	32,105,638
(5,134,238)	(743,613)	(29,201,684)	3,074,456
(6,632,703)	(4,121,948)	(147,084,280)	(30,361,569)
101,066	27,371	(174,542)	28,827
20,256,790	4,520,262	141,052	4,847,352
			330,279
		362,625	682,881
1,027,711	894,957	2,182,197	1,188,186
(3,890,189)	(1,277,674)	(17,708,719)	(138,494)
(2,862,478)	(382,717)	(15,163,897)	2,062,852
45,223		45,223	72,622
(8,015,000)		(15,410,000)	(260,000)
(1,268,351)		(7,563,219)	(50,909)
		(873,300)	(290,398)
		(15,655)	(55,004)
		7,516,770	
(3,486,199)	(855,427)	(33,835,698)	(3,483,796)
(12,724,327)	(855,427)	(50,135,879)	(4,067,485)
784,490	529,711	6,029,005	843,476
(4,423,000)	(2,725,600)	(5,578,396)	(4,824,900)
(3,638,510)	(2,195,889)	450,609	(3,981,424)
1,031,475	1,086,229	13,216,152	(1,138,705)
183,851	169,838	8,539,985	3,078,289
\$ 1,215,326	\$ 1,256,067	\$ 21,756,137	\$ 1,939,584
\$ 1,215,326	\$ 1,256,067	\$ 20,500,250	\$ 1,939,584
		1,255,887	
\$ 1,215,326	\$ 1,256,067	\$ 21,756,137	\$ 1,939,584

**CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)**
For the Year Ended December 31, 2023

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)	\$ 797,528	\$ 32,137,737	\$ 2,497,319
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Depreciation and amortization expense	1,902,369	16,162,147	2,916,445
Other income	12,615		
Service territory payments		(174,542)	
Bad debts		(71,478)	10,020
(Increase) Decrease In:			
Accounts receivables and accrued utility revenues	81,825	1,885,328	(11,411)
Inventory		(2,238,545)	(49,503)
Due from other funds			
Due from other governmental units	22,571		
Deferred outflows from pension activity	48,296	2,366,490	267,206
Deferred outflows from OPEB activity			
Other assets		(31,310)	(106,616)
Increase (Decrease) In:			
Accounts and contracts payable, operations	(92,951)	(1,681,466)	(777,552)
Deposits payable		108,018	(26,335)
Accrued expenses and other liabilities	26,436		
Post employment benefit obligations			
Deferred inflows from pension activity	75,197	3,907,119	523,470
Net pension liability	(89,831)	(5,871,896)	(734,425)
Unearned revenues		49,904	(21,000)
Solar choice deferred inflow		(46,258)	
Lease deferred inflow/receivable		780	(487,617)
Accrued claims			
Due to other funds	497		
Due to other governmental units	1,686		
Net Cash Provided By Operating Activities	\$ 2,786,238	\$ 46,502,028	\$ 4,000,001
Non Cash Transactions:			
Increase in fair value of investments	\$ 456,100	\$ 2,614,767	\$ 333,433
Amortization of bond premiums, discounts, and refunding		(1,076,359)	
Amortization of bond issue costs		99,609	
Receipt of contributed property		214,320	3,057,711
SBITA additions		821,556	
Capital assets in accounts payable at year end	1,397		

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 14,875,093	\$ 2,257,554	\$ 52,565,231	\$ (4,875,510)
5,282,125	2,048,638	28,311,724	3,712,679
101,066	27,371	141,052	28,827
		(174,542)	
		(61,458)	
220,556	25,802	2,202,100	267,177
6,284		(2,281,764)	
976	(2,757)	(1,781)	
1,856		24,427	875
416,323	63,195	3,161,510	
			524,936
120		(137,806)	
(395,155)	85,093	(2,862,031)	126,495
		81,683	(903)
39,100	46,968	112,504	
			(2,396,714)
724,031	103,356	5,333,173	2,489,450
(1,027,219)	(155,503)	(7,878,874)	
		28,904	27,413
		(46,258)	
		(486,837)	
			4,894,594
14,484	1,038	16,019	
(2,850)	19,507	18,343	48,033
<u>\$ 20,256,790</u>	<u>\$ 4,520,262</u>	<u>\$ 78,065,319</u>	<u>\$ 4,847,352</u>
\$ 1,140,000	\$ 763,500	\$ 5,307,800	\$ 1,183,100
1,165,409		89,050	
		99,609	
1,788,607	8,087,361	13,147,999	412,853
		821,556	1,558,186
29,058	144,393	174,848	10,911

(This Page is Left Blank Intentionally)

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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 2023 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. The DMCC is reported as a blended component unit.

Separate audited financial statements for the year ended December 31, 2023 are available from the DMCC.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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). 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.

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.

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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 which 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, 2023

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 *capital 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, employee benefits, information technology, and equipment revolving 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, 2023

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

2. 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 3.0% 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, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

2. Receivables, payables, and deferred inflows of resources (continued)

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.

3. Other assets

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

4. Inventory

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

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Purchases are reported as expenditures when the prepaid 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has three items that qualify for reporting in this category. The deferred charge on advance refunding of revenue bonds, deferred outflows from pension activity, and deferred outflows from OPEB 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 effective interest method.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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 acquisition 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as incurred with the exception of the electric and water funds which capitalize interest as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period. The electric and water fund have applied the provisions of GASB statement No. 62, see note 5.

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.

	Useful Life <u>in Years</u>
Buildings	10 - 40
Infrastructure	15 - 80
Other Improvements	5 - 40
Machinery and Equipment	3 - 20
Right to Use Subscription Asset	1 - 7

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

8. 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.

9. 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, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

10. Deferred inflows 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 assets 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 electric capacity sales, deferred inflows from pension activity, OPEB, leasing, and solar choice, and an unamortized amount on refunding that qualifies for reporting in this category.

Under the modified accrual basis of accounting, the City reports unavailable revenues in the governmental funds balance sheet as deferred inflows of resources. These amounts will be recognized as revenue in the period the corresponding tax, assessment and loan repayment revenues become available.

11. Unearned revenues

Under the terms of a 2015 agreement, the Electric Utility constructed a substation to meet the specifications of a large customer. The customer paid a Contribution in Aid of Construction (CIAC) for redundant facilities for reliability purposes and for substation capacity in excess of current needs. Per the agreement, the customer can earn a refund of a portion of the CIAC related to excess capacity based on their measured load over the term from 2018 through 2027. A portion of the excess capacity payment becomes ineligible for refund in each of those years if the load requirement specified in the agreement is not achieved. During 2023, \$214,320 of the potential refund became ineligible for refund as the load requirement was not met and, as of December 31, 2023, \$1,015,680 of the potential refund remained recorded as an unearned revenue. The amount of unearned revenue will be reduced each year through the remainder of the ten-year term, having either been refunded to the customer if load requirement has been met, or recorded as a contribution in aid of construction if not met. The substation went in service in May 2017.

As of December 31, 2023, customers had paid the Electric Utility \$578,748 as advances for construction of utility infrastructure, which is reflected as unearned revenue. When the construction has been completed, such amounts will be recorded as capital contributions.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Net Position/Fund Balance

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.

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Net Position/Fund Balance (continued)

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. 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.

F. Leases

For leases with term exceeding 12 months, the City recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 1: Summary of Significant Accounting Policies (continued)

F. Leases (continued)

The City leases office spaces, a building, and land to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments and receipts are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The City does not have any leases subject to a residual value guarantee.

G. Subscription-Based Information Technology Arrangements

Subscription-Based Information Technology Arrangements (SBITAs) are recorded at the present value of the subscription liability plus payments made at the commencement of the subscription term and implementation costs, less incentives received at the commencement of the subscription term. SBITAs are amortized systematically over the shorter of the subscription term or the useful life of the underlying information technology asset.

H. Accounting Pronouncements Issued But Not Yet Implemented

GASB has approved GASB Statements No. 100, Accounting Changes and Error Corrections, and No. 101, Compensated Absences. When they become effective, application of these standards may restate portions of these financial statements.

I. Implementation of New Accounting Pronouncements

During the year, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-to-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

The implementation of this standard resulted in changing the presentation of the financial statement by including the right-to-use asset and liability from Subscription-Based Information Technology Arrangements (SBITAs) as of January 1, 2023. The beginning fund balance/net position has not been impacted by the implementation.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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, the Minnesota Bio Science Center Fund, Settlement Fund, and the Edward Byrne Memorial JAG 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 Improvement 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.
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).

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 2: Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

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.

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, 2023 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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.
- (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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

The following is a summary of the City of Rochester's cash and investment portfolio as of December 31, 2023, including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2023 Amount</u>	<u>Weighted Average Maturity (in years)</u>	<u>Investment Rating as of Year End</u>	
			<u>S&P</u>	<u>MOODY</u>
Municipal Bonds	\$ 16,694,141	3.43	AAA/AA+	Aaa/Aa1/Aaa
4M Plus	8,711,956	N/A	N/A	N/A
4M Certificates of Deposit	40,000,000	0.94	N/A	N/A
US Government and Agency Securities:				
Federal Farm Credit Bank	61,810,225	3.45	N/A	N/A
Federal Home Loan Bank	74,297,802	3.75	N/A	N/A
Federal Home Loan Mortgage Corporation	24,289,000	4.10	N/A	N/A
Federal National Mortgage Association	51,599,720	4.13	N/A	N/A
Treasury Bill	14,944,393	0.36	N/A	N/A
Treasury Note	<u>260,082,740</u>	3.71	N/A	N/A
Sub-total Investments	552,429,977			
Cash and Deposits	<u>61,297,333</u>			
Total	<u>\$ 613,727,310</u>			

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

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.

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	\$ 61,810,225
Federal Home Loan Bank	Federal Agency Securities	74,297,802
Federal National Mortgage Association	Federal Agency Securities	51,599,720
Treasury Note	United States Treasury Securities	260,082,740

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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, 2023 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	\$ 40,883,721
Investments	552,429,977
Restricted cash and investments	<u>20,413,612</u>
Total Cash and Investments	<u>\$ 613,727,310</u>

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Fair Value Measurements (continued)

The City's investments within the fair value hierarchy at December 31, 2023 were as follows:

	At December 31, 2023			
	Fair Value Hierarchy Level			Total
	Level 1	Level 2	Level 3	
Municipal Bonds	\$	\$ 16,694,141	\$	\$ 16,694,141
US Government and Agency Securities:				
Federal Farm Credit Bank		61,810,225		61,810,225
Federal Home Loan Bank		74,297,802		74,297,802
Federal Home Loan Mortgage Corporation		24,289,000		24,289,000
Federal National Mortgage Association		51,599,720		51,599,720
Treasury Note		260,082,740		260,082,740
Treasury Bill		14,944,393		14,944,393
Investments measured at amortized cost				48,711,956
Total	\$	\$ 503,718,021	\$	\$ 552,429,977

B. Land Held for Resale

In 2014 and 2016 the City acquired parcels of land for a total purchase price of \$648,500. The City used a portion of the land towards a fire station construction project and the remaining parcels held for resale totaling \$625,000, are reported in the Capital Improvement Fund. The City's estimate of net realizable value is in excess of the amount recorded at December 31, 2023.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

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, 2023 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 1,852,045	\$1,097,840	\$ 157,598	\$ 3,107,483
Special Revenue	94,517	331,625	252,923	8,917	687,982
Capital Project	12,674,760	10,750,875	75,434		23,501,069
Debt Service			24,255		24,255
Enterprise	1,516,075		4,243	7,665	1,527,983
Internal Service			2,345		2,345
Totals	<u>\$14,285,352</u>	<u>\$ 12,934,545</u>	<u>\$1,457,040</u>	<u>\$ 174,180</u>	<u>\$28,851,117</u>

Amounts due to other governmental units as of December 31, 2023 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 11,710	\$ 29,792	\$ 97,437	\$ 785	\$ 139,724
Special Revenue	5,642	2,002,287	166,455	12,621	2,187,005
Capital Project		7,169		16,499	23,668
Enterprise		28,686	47,487		76,173
Internal Service		73,104	2,663		75,767
Totals	<u>\$ 17,352</u>	<u>\$ 2,141,038</u>	<u>\$ 314,042</u>	<u>\$ 29,905</u>	<u>\$ 2,502,337</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

D. Restricted Cash and Investments

Restricted cash are deposits held for specifically required purposes. Descriptions of the items and balances as of December 31, 2023 are as follows:

Restricted Cash and Investments -

General Fund

Civic Music Endowment:

Rochester Area Foundation Endowment	\$ 43,794
-------------------------------------	-----------

Capital Improvement Fund

Air Service Grant	50,332
-------------------	--------

Park Bond Funds	6,479,216
-----------------	-----------

Debt Service Fund

Lease Revenue 2020A Bond	282
--------------------------	-----

Enterprise Funds:

Parking Fund:

Bioscience Building Debt Service	114,548
----------------------------------	---------

Electric Fund:

Debt Service	1,141,339
--------------	-----------

Debt Service Reserve Accounts	12,584,101
-------------------------------	------------

Funds Held in Trust	48
---------------------	----

Total	\$ 20,413,660
-------	---------------

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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, 2023 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 77,849,052	\$ 3,121,853	\$ 66,392	\$ 80,904,513
Construction in progress	66,093,869	68,614,202	52,475,372	82,232,699
Total capital assets, not being depreciated	<u>143,942,921</u>	<u>71,736,055</u>	<u>52,541,764</u>	<u>163,137,212</u>
Capital assets, being depreciated and amortized:				
Buildings	403,539,149	11,735,909		415,275,058
Improvements other than buildings	83,820,223	6,764,128	76,905	90,507,446
Infrastructure	584,813,504	24,414,123		609,227,627
Machinery and equipment	121,097,179	12,382,359	6,949,051	126,530,487
Right to use subscription asset		4,325,035		4,325,035
Total capital assets, being depreciated and amortized	<u>1,193,270,055</u>	<u>59,621,554</u>	<u>7,025,956</u>	<u>1,245,865,653</u>
Less accumulated depreciation and amortization for:				
Buildings	137,022,645	9,995,521		147,018,166
Improvements other than buildings	34,503,395	2,523,203	76,905	36,949,693
Infrastructure	234,473,807	13,457,359		247,931,166
Machinery and equipment	87,510,766	7,177,967	6,653,901	88,034,832
Right to use subscription asset		657,493		657,493
Total accumulated depreciation and amortization	<u>493,510,613</u>	<u>33,154,050</u>	<u>6,730,806</u>	<u>519,933,857</u>
Total capital assets, being depreciated and amortized, net	<u>699,759,442</u>	<u>25,810,011</u>	<u>295,150</u>	<u>725,274,303</u>
Governmental activities capital assets, net	<u>\$ 843,702,363</u>	<u>\$ 97,546,066</u>	<u>\$ 52,836,914</u>	<u>\$ 888,411,515</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2023 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	\$ 24,681,665	\$ 86,560	\$	\$ 24,768,225
Construction in progress	66,339,796	34,939,835	25,936,168	75,343,463
Total capital assets, not being depreciated	<u>91,021,461</u>	<u>35,026,395</u>	<u>25,936,168</u>	<u>100,111,688</u>
Capital assets, being depreciated and amortized:				
Buildings and improvements	561,639,173	25,215,360		586,854,533
Machinery and equipment	640,303,519	15,711,506	1,085,088	654,929,937
Right to use subscription asset		1,081,716		1,081,716
Total capital assets, being depreciated and amortized	<u>1,201,942,692</u>	<u>42,008,582</u>	<u>1,085,088</u>	<u>1,242,866,186</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	246,137,176	10,787,949		256,925,125
Machinery and equipment	330,745,318	16,630,354	720,778	346,654,894
Right to use subscription asset		441,231		441,231
Total accumulated depreciation and amortization	<u>576,882,494</u>	<u>27,418,303</u>	<u>720,778</u>	<u>603,580,019</u>
Total capital assets, being depreciated and amortized, net	<u>625,060,198</u>	<u>14,149,048</u>	<u>364,310</u>	<u>638,844,936</u>
Business-type activities capital assets, net	<u>\$ 716,081,659</u>	<u>\$ 49,175,443</u>	<u>\$ 26,300,478</u>	<u>\$ 738,956,624</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation and amortization expense for the year ended December 31, 2023 was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 1,168,428
Public safety	3,309,776
Public works	12,343,526
Airport operations	2,589,011
Transit	1,805,261
Culture	1,176,933
Park and recreation/Mayo Civic Center	6,413,757
Economic development/tourism	1,292,172
Subtotal	30,098,864
Internal Service Funds:	
Equipment revolving	3,220,484
Information technology	492,195

Total depreciation and amortization expense - governmental activities	\$ 33,811,543
---	---------------

Business-Type Activities:

Parking	\$ 1,902,369
Electric utility	15,709,957
Water utility	2,916,445
Sewer utility	5,282,125
Storm water utility	2,048,638

Total depreciation and amortization expense - business type activities	\$ 27,859,534
--	---------------

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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, 2023, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,105,241	\$ 884,612
Capital Improvement	3,535,307	1,125,351
Subtotal	4,640,548	2,009,963
Non-Major Governmental Funds:		
Special Revenue -		
Library		12,212
Municipal Recreation System		56,683
Airport Operations		38,361
Transit		1,345
Bio Science Center		42
Edward Byrne Memorial JAG		5,282
Community Development Projects		11,538
DMCC	323,682	101,000
Subtotal	323,682	226,463
Total Governmental Funds	4,964,230	2,236,426
Proprietary Funds:		
Enterprise -		
Parking		1,071
Electric Utility		5,275,306
Water Utility		591,855
Sewer Utility	2,685,913	227,366
Storm Water Utility	751,011	69,130
Total Proprietary Funds	3,436,924	6,164,728
Total All Funds	\$ 8,401,154	\$ 8,401,154

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

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, 2023, at the individual fund level are summarized below:

Funds	Advanced To Other Funds	Advanced From Other Funds
Governmental Funds:		
Capital Improvement	\$	\$ 4,517,238
Economic Development Authority Bond		1,900,000
Proprietary Fund:		
Parking	2,753,723	
Internal Service Fund:		
Self-Insurance	3,663,515	
Total All Funds	\$ 6,417,238	\$ 6,417,238

Transfers during the year ended December 31, 2023 were as follows:

Funds	Transfers In	Transfers Out
General	\$ 17,728,030	\$ 3,190,853
Capital Improvement	5,451,530	14,565,299
Other Governmental Funds:		
Library		24,000
Municipal Recreation System	10,369	349,170
Mayo Civic Center		225,428
Transit		240,435
Minnesota Bio Science Center		927,560
Community Development Projects		192,000
DMCC	2,402,541	
TIF Revenue Bond	1,456,831	
Economic Development Authority Bond	2,254,935	
Lodging Tax Revenue Bond	3,044,613	
GO Variable Rate Sales Tax Bond	3,215,826	
Lease Revenue 2020A Bond		1,327,375
Subtotal Other Governmental Funds	12,385,115	3,285,968
Subtotal Governmental Funds	35,564,675	21,042,120
Enterprise	2,182,197	17,754,444
Internal Service	1,188,186	138,494
Totals	\$ 38,935,058	\$ 38,935,058

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

A description of these transfers is as follows:

- \$9,972,205 from Parking, Minnesota Bio Business Center, Lease Revenue 2020A Bond, and Capital Improvement funds to TIF Revenue Bond, Economic Development Authority Bond, Lodging Tax Revenue Bond, and GO Variable Rate Sales Tax Bond funds to finance debt service requirements.
- \$13,616,970 from the Parking, Electric, Water, Sewer, and Storm Water funds to the General fund for transfers in lieu of tax.
- \$4,111,060 from the Capital Improvement fund to the General fund to fund affordable housing initiatives, flood control operational costs, administrative costs, technology costs, and strategic community engagement activities.
- \$10,369 from the Capital Improvement fund to the Municipal Recreation System fund for community engagement initiatives.
- \$2,402,541 from the Capital Improvement fund to the DMCC fund to fund operation activities.
- \$65,988 from the General fund and Capital Improvement fund to the Parking fund to fund administrative costs.
- \$1,922,668 from the Capital Improvement fund to the Sewer and Storm Water funds for capital projects.
- \$1,100,000 from the General fund to the Employee Benefits fund for future retirement costs.
- \$5,302,566 from the General, Library, Community Development Projects, Mayo Civic Center, Municipal Recreation System, Sewer, and Storm Water funds to the Capital Improvement fund for capital projects and expenditures.

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

Governmental Funds:	
Transfer in	\$ 35,564,675
Transfers out	(21,042,120)
Internal Service Funds:	
Transfer in	1,188,186
Transfers out	(138,494)
Capital assets transferred from Govt-activities to Business-type activities	<u>(6,825,726)</u>
Government-wide Statement of Activities - Transfers in/out	<u>\$ 8,746,521</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

G. Leases

Lease Receivables

The City is a lessor in various long-term commercial office space and land within the governmental activities. Within business-type activities, the City is a lessor in long-term building, tower space, and utility pole leases. The leases have various lengths of term through 2065. The interest rate for the leases are implicit in the lease agreements and therefore, the City has applied estimated incremental borrowing rates of 2% to 3% for these leases.

A summary of outstanding leases as of December 31, 2023 is as follows:

Governmental Activities	Original Lease Date	Expiration Date Including Options	Year Ended December 31, 2023		As of December 31, 2023	
			Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflows of Resources
Commercial Space	10/1/2016	9/30/2027	\$ 962,054	\$ 134,710	\$ 3,966,847	\$ 3,966,847
Commercial Space	7/1/2011	6/30/2036	70,555	33,989	1,094,588	1,094,588
Commercial Space	10/1/2021	11/30/2026	133,730	15,622	447,971	447,971
Commercial Space	4/1/2015	3/31/2025	169,205	10,147	245,718	245,718
Land	7/1/2016	6/30/2065		26,376	1,162,794	1,162,794
Land	10/1/2005	9/30/2050	9,719	12,673	417,144	417,144
Land	4/1/2022	9/30/2024	313,253	16,747	322,720	322,720
Totals			<u>\$ 1,658,516</u>	<u>\$ 250,264</u>	<u>\$ 7,657,782</u>	<u>\$ 7,657,782</u>
<u>Business-Type Activities</u>						
Building	6/1/2022	5/31/2031	\$ 48,928	\$ 15,872	\$ 502,450	\$ 502,450
Utility Pole Space	3/19/2019 - 1/1/2020	3/18/2024 - 12/31/2024	417,817	4,616	321,289	316,836
Antenna Space	11/15/2013 - 3/1/2022	12/31/2028 - 12/31/2042	1,344,417	482,049	20,155,299	19,091,312
Totals			<u>\$ 1,811,162</u>	<u>\$ 502,537</u>	<u>\$ 20,979,038</u>	<u>\$ 19,910,598</u>

Regulated Leases

The City does not recognize a lease receivable and deferred inflow of resources for regulated leases. Regulated leases include certain airport related leases that are subject to external laws, regulations, or legal rulings of the Federal Aviation Administration. The future expected minimum rentals to be received from these regulated leases as of December 31, 2023 is as follows:

Year Ending December 31,	Minimum Lease Revenue
2024	\$ 956,876
2025	958,363
2026	959,878
2027	961,424
2028	947,120
Thereafter	6,785,259
Total	<u>\$ 11,568,920</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

H. Subscription-Based Information Technology Arrangements (SBITA)

The City has SBITAs that are used primarily for various software and related licenses which meet the capitalization criteria specified by generally accepted accounting principles. Therefore, the City has recorded the SBITAs at present value of the future minimum payments as of the inception date using its own estimated incremental borrowing rate. The SBITAs generally include original terms of one to seven years. Certain SBITAs also include an unspecified number of autorenewal options for the City to extend the term for a period of one year each. The City has excluded from the lease term any potential autorenewal terms as provided for in the subscription since the non-cancelable period of any autorenewal term would be less than one year.

During 2023, the City recognized amortization expense and interest expense of \$657,493 and \$152,674, respectively, related to SBITA agreements. The cost and accumulated amortization of the assets under the City's SBITAs included in capital assets totaled \$4,325,035 and \$657,493, respectively as of December 31, 2023. The City's SBITA obligation totaled \$3,729,291 as of December 31, 2023.

During 2023, the Electric Utility recognized amortization expense and interest expense of \$441,231 and \$15,655, respectively, related to SBITA agreements. The cost and accumulated amortization of the assets under the Electric Utility's SBITAs included in capital assets totaled \$1,081,716 and \$441,231, respectively, as of December 31, 2023. The Electric Utility's SBITA obligation included in current liabilities totaled \$191,155 as of December 31, 2023.

The annual requirements to amortize the SBITA obligations outstanding at December 31, 2023 are summarized below:

	SBITA Liability	
	Principal	Interest
2024	\$ 616,774	\$ 131,644
2025	638,547	109,872
2026	661,087	87,331
2027	684,424	63,995
2028	363,181	39,835
2029-2030	765,278	40,756
Totals	\$ 3,729,291	\$ 473,433

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2023, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/23
General Obligation Bonds:				
GO Taxable Tax Increment Bonds				
District 36, Series 2009A	\$ 8,035,000	5.4-5.5%	2025	\$ 750,000
GO Tax Increment Revenue				
Bond Series 2017B	21,265,000	2.0-5.0%	2038	17,535,000
GO Lodging Tax Revenue Bonds:				
Bonds, Series 2015A	42,795,000	2.5-5.0%	2035	31,755,000
GO Revenue Bonds:				
Revenue Crossover Refunding Bonds,				
Series 2015B	19,805,000	5.0%	2026	6,950,000
Revenue Refunding Bonds,				
Series 2020B	23,380,000	4.0%	2026	17,450,000
GO Variable Rate Sales Tax Revenue				
Bonds, Series 2015C	40,880,000	Variable	2025	10,135,000
GO Taxable Refunding Bonds,				
Series 2020C	16,460,000	1.25-5.0%	2036	14,980,000
GO Tax Abatement Bonds,				
Series 2023A	12,375,000	3.625-5.0%	2044	12,375,000
GO Equipment Certificates				
of Indebtedness, Series 2018A	2,225,000	3.25%	2028	1,435,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2015E	39,970,000	3.0-5.0%	2030	23,440,000
Bonds, Series 2017A	108,255,000	2.0-5.0%	2047	90,485,000
Refunding Bonds, Series 2021A	37,170,000	1.375-2.3%	2043	33,420,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	4,368,000
Lease Bonds, Series 2008	6,700,000	4.71%	2033	2,960,000
Lease Bonds, Series 2020A	20,300,000	2.0-5.0%	2040	18,110,000
Financed Purchase Leases Payable	1,447,686	4.424%	2031	1,172,802
Compensated Absences				17,834,979
Less: Unamortized premium				19,642,501
Total Long-term Debt				<u>\$ 324,798,282</u>

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

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

For governmental activities, the net pension liability has generally been liquidated by the general, library, transit, and municipal recreation funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

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.

In 2017, the City issued \$21,265,000 of General Obligation Tax Increment Revenue Bonds, Series 2017B. The proceeds of the issue are to assist in the funding of the Parking Ramp #6 Project. The debt is to be repaid using tax increments and parking revenues and is backed by the full faith credit and taxing power of the City.

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 2015, the Sewer Utility issued \$19,805,000 of General Obligation Wastewater Revenue Refunding Bonds to refinance the 2007A Wastewater Revenue Bonds. In 2020, the Sewer Utility issued \$23,380,000 of General Obligation Revenue Refunding Bonds to refinance the 2012A Revenue Crossover Refunding 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.

Lease Revenue Bonds – Economic Development Authority

Lease Revenue 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.

Lease Revenue Bonds issued in 2020 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 the taxing power of the City. The proceeds of this bond issue were to fund the construction of a Development Services Infrastructure Center and North Precinct.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

General Obligation 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.

General Obligation 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 2018, the City issued \$2,225,000 of General Obligation Equipment Certificates of Indebtedness, Series 2018A. The proceeds of the issue were used to finance the acquisition of certain items of capital equipment which is expected to include multiple fire safety vehicles 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 bonds are payable from the general tax levy and is backed by the full faith, credit, and taxing power of the City.

General Obligation Taxable Refunding Bonds

In 2020, the City issued \$16,460,000 of General Obligation Taxable Bonds to refinance the 2010A General Obligation Taxable Build America Bonds. 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.

General Obligation Tax Abatement Bonds

In 2023, the City issued \$12,375,000 of General Obligation Tax Abatement bonds for improvements to Soldiers Field Pool, Silver Lake Park, and other park improvements. 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.

Financed Purchases

In 2022, the City entered into a financed purchase lease payable of \$1,447,686 for LED Lighting. Park referendum dollars approved in 2020 will be utilized to repay the lease.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

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.

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
GO Taxable Tax Increment Bonds					
District 36, Series 2009A	\$ 1,095,000	\$	\$ 345,000	\$ 750,000	\$ 365,000
GO Tax Increment Revenue Bond					
Series 2017B	18,390,000		855,000	17,535,000	895,000
GO Lodging Tax Revenue					
Bonds, Series 2015A	33,550,000		1,795,000	31,755,000	1,950,000
GO Taxable Refunding Bonds					
Series 2020C	15,805,000		825,000	14,980,000	870,000
GO Variable Rate Sales Tax Revenue					
Bonds, Series 2015C	12,940,000		2,805,000	10,135,000	
GO Equipment Certificates of Indebtedness,					
Series 2018A	1,695,000		260,000	1,435,000	(1) 270,000
GO Tax Abatement Bonds					
Series 2023A		12,375,000		12,375,000	
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	4,704,000		336,000	4,368,000	352,000
REDA Lease Revenue Bonds, Series 2008	3,188,000		228,000	2,960,000	240,000
REDA Lease Revenue Bonds, Series 2020A	18,840,000		730,000	18,110,000	765,000
Financed Purchases:					
LED Lighting Lease	1,292,953		120,151	1,172,802	125,452
Plus: Unamortized Premium on Bonds	6,612,020	1,554,162	521,605	7,644,577	
Other Liabilities:					
Compensated Absences	12,139,425	8,183,797	7,583,676	12,739,546	7,560,000
Governmental Activities Long-term Liabilities	<u>130,251,398</u>	<u>22,112,959</u>	<u>16,404,432</u>	<u>135,959,925</u>	<u>13,392,452</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant					
Revenue Crossover Refunding					
Bonds, Series 2015B	9,035,000		2,085,000	6,950,000	2,195,000
Revenue Refunding					
Bonds, Series 2020B	23,380,000		5,930,000	17,450,000	6,135,000
Revenue Bonds:					
Electric Utility Revenue Refunding Bonds-					
Series 2015E	26,325,000		2,885,000	23,440,000	3,030,000
Electric Utility Revenue Bonds-					
Series 2017A	93,630,000		3,145,000	90,485,000	3,310,000
Electric Utility Revenue Refunding Bonds-					
Series 2021A	34,785,000		1,365,000	33,420,000	1,390,000
Plus: Unamortized Premium	14,094,004		2,096,080	11,997,924	
Other Liabilities:					
Compensated Absences	5,086,024	1,004,765	995,356	5,095,433	2,955,457
Business-type Activities Long-term Liabilities	<u>206,335,028</u>	<u>1,004,765</u>	<u>18,501,436</u>	<u>188,838,357</u>	<u>19,015,457</u>
Total	<u>\$ 336,586,426</u>	<u>\$ 23,117,724</u>	<u>\$ 34,905,868</u>	<u>\$ 324,798,282</u>	<u>\$ 32,407,909</u>

(1) Debt recorded in the internal service funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

In 2015, the Sewer Utility issued \$14.2 million in Refunding Revenue Bonds, Series 2015D, to be used for a refunding of the outstanding Series 2007B bonds. 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 straight-line method. As of December 31, 2023, the balance totaled \$541,002.

In 2020, the Sewer Utility issued \$23.38 million in Refunding Revenue Bonds, Series 2020B, to be used for a refunding of the outstanding Series 2012A bonds. The crossover refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,792,656. 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 straight-line method. As of December 31, 2023, the balance totaled \$1,886,930.

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2023, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Bonds & Notes		Revenue Bonds	
	Principal	Interest *	Principal	Interest
<u>Governmental Activities</u>				
2024	\$ 4,350,000	\$ 2,934,706	\$ 1,357,000	\$ 889,188
2025	15,145,000	2,613,993	1,416,000	821,650
2026	4,955,000	2,395,279	1,488,000	750,921
2027	5,190,000	2,158,870	1,565,000	676,561
2028	5,430,000	1,946,086	1,642,000	598,446
2029-2033	28,535,000	6,793,234	9,330,000	1,867,398
2034-2038	20,365,000	2,316,674	6,040,000	596,488
2039-2043	4,080,000	579,719	2,600,000	55,569
2044-2048	915,000	17,156		
Totals	\$ 88,965,000	\$ 21,755,717	\$ 25,438,000	\$ 6,256,221
<u>Business-Type Activities</u>				
	General Obligation Revenue Bonds		Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 8,330,000	\$ 922,800	\$ 7,730,000	\$ 5,966,068
2025	8,525,000	566,050	8,005,000	5,681,868
2026	7,545,000	224,250	8,305,000	5,386,368
2027			8,625,000	5,062,768
2028			8,980,000	4,708,968
2029-2033			31,680,000	18,764,388
2034-2038			24,380,000	14,025,148
2039-2043			29,645,000	8,762,365
2044-2047			19,995,000	2,560,250
Totals	\$ 24,400,000	\$ 1,713,100	\$ 147,345,000	\$ 70,918,191

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2023.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

The future minimum payments under the financed purchase leases payable outstanding as of December 31, 2023, over the life of the lease, is summarized below:

	Financed Purchase Leases Payable	
	Principal	Interest
2024	\$ 125,452	\$ 51,739
2025	130,859	46,332
2026	136,759	40,432
2027	142,792	34,399
2028	149,092	28,099
2029-2031	487,848	43,725
Totals	<u>\$ 1,172,802</u>	<u>\$ 244,726</u>

As of December 31, 2023, the capitalized cost of the LED lighting under the financed purchase lease was \$1,172,802.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2023, the City had not utilized \$339,504,980 of its net legal debt margin.

Conduit Debt

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 \$2,339,473,988 and the balance outstanding at December 31, 2023 totals \$2,172,068,168.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue - Revenue Bonds	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
General Obligation Bonds:							
Wastewater Treatment Plant							
Revenue Crossover Refunding							
Bonds, Series 2015B	Refund 2007A issue	Utility Revenue	100%	2015 - 2026	\$ 7,657,500	\$ 2,536,750	\$2,536,750
Revenue Refunding							
Bonds, Series 2020B	Refund 2012A issue	Utility Revenue	100%	2020 - 2026	18,455,600	6,746,601	6,746,601
REDA Lease Revenue Bonds:							
Series 2007	Bio Science building	Lease Revenue	100%	2007 - 2033	5,471,560	549,192	549,192
Series 2008	Bio Science building	Lease Revenue	100%	2008 - 2033	3,709,455	372,785	372,785
Series 2020A	DSIC building	Lease Revenue	100%	2020 - 2040	22,513,206	1,325,775	1,325,775
Electric Utility Revenue Refunding							
Bonds - Series 2015E	Advance refund a portion of 2007C issue	Utility Revenue	100%	2015 - 2030	26,704,150	3,816,250	3,816,250
Electric Utility Revenue Bonds-							
Series 2017A	Finance Westside Energy Station, and Electric substation and improvements	Utility Revenue	100%	2017 - 2047	150,657,250	7,826,500	7,826,500
Electric Utility Revenue Refunding							
Bonds - Series 2021A	Advance refund 2013B issue	Utility Revenue	100%	2021 - 2043	40,901,791	2,047,118	2,047,118

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2023.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits

A. Plan Description

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, 2022, the most recent valuation date, there were 898 active participants, 267 retirees receiving benefits, and 12 spouses receiving benefits.

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.

The City has no assets accumulated in a trust that meet the criteria of GASB Statement No. 75.

B. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2023 and was determined by an actuarial valuation as of January 1, 2023. The components of the total OPEB liability of the City at year-end were as follows:

Total OPEB liability	\$ 16,540,493
Covered-employee payroll	\$ 83,229,985
Total OPEB liability as a % of payroll	20%

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

C. Funded Status and Funding Progress

As of January 1, 2023, the most recent measurement date, the actuarial accrued liability for benefits was \$16,540,493 all of which was unfunded. The covered-employee payroll (annual payroll of active employees covered by the plan) was \$83,229,985 and the ratio of the unfunded actuarial accrued liability to the covered-employee payroll was 20 percent. The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Methods and Assumptions

In the January 1, 2023 actuarial valuation, the entry age level percentage of pay method was used. 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. 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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

D. Methods and Assumptions (continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.00%
20-year Municipal Bond Yield	4.00%
Inflation rate	2.50%
Mortality	Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
Medical trend rate	6.25% in 2024 grading to 5.00% over 5 years and the to 4.00% over the next 48 years. The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates. No adjustment was made for the impact of Covid-19.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.00% to 2.50%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

E. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2023	\$ 18,937,207
Changes for the year:	
Service cost	846,196
Interest cost	388,328
Assumption changes	(2,893,622)
Benefit payments	(737,616)
Net Changes	<u>(2,396,714)</u>
Balance End of Year 12/31/2023	<u>\$ 16,540,493</u>

F. Total OPEB Liability Sensitivity to Discount and Health-Care Trend Rate Changes

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it would be calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (3.0%)	\$ 18,050,401
Current Discount Rate (4.0%)	16,540,493
1% increase in Discount Rate (5.0%)	15,191,551

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it would be calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>Total OPEB Liability</u>
1% decrease in Trend Rates	\$ 14,730,702
Current Trend Rates	16,540,493
1% increase in Trend Rates	18,654,022

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

G. OPEB Expense and Related Deferred Outflows/Inflows of Resources

As of the year ended December 31, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 1,866,308	\$ 2,659,322
Liability losses	1,302,084	
Contributions paid to OPEB subsequent to the measurement date	838,574	
	\$ 4,006,966	\$ 2,659,322

Contributions subsequent to the measurement date of \$838,574 will be recognized as a reduction of the OPEB liability in the year ending December 31, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2024	\$ 261,969
2025	261,969
2026	261,973
2027	304,430
2028	(39,562)
Thereafter	(541,709)

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 3: Detailed Notes on All Funds (continued)

K. Governmental Fund Balance Classifications

The City's governmental fund balances as of December 31, 2023 were classified as follows:

	General Fund	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid Items	\$ 15,199	\$	\$ 108,647	\$ 123,846
Inventory	1,155,442		33,060	1,188,502
Total Nonspendable	<u>1,170,641</u>		<u>141,707</u>	<u>1,312,348</u>
<u>Restricted for:</u>				
Civic Music Endowment	43,794			43,794
Flood Control		11,973,617		11,973,617
Economic Development Loans		252,765		252,765
Park and Recreation		40,451		40,451
Tax Increment Financing		11,099,255		11,099,255
Sales Tax Authorized Projects		47,971,594		47,971,594
Destination Medical Center		86,768,277		86,768,277
Airport Operations			12,123,636	12,123,636
Children's Playgrounds			719,809	719,809
Settlement Funds			362,970	362,970
Debt Service			4,063,116	4,063,116
Total Restricted	<u>43,794</u>	<u>158,105,959</u>	<u>17,269,531</u>	<u>175,419,284</u>
<u>Committed to:</u>				
Capital Improvement		95,263,092		95,263,092
Total Committed		<u>95,263,092</u>		<u>95,263,092</u>
<u>Assigned to:</u>				
Subsequent Years Budgets	558,020			558,020
Encumbrances	872,045			872,045
Library Operations			3,449,411	3,449,411
Parks and Recreation			2,607,709	2,607,709
Mayo Civic Center			1,028,407	1,028,407
Transit			4,689,972	4,689,972
Minnesota Bio Science Center			2,676,302	2,676,302
Total Assigned	<u>1,430,065</u>		<u>14,451,801</u>	<u>15,881,866</u>
<u>Unassigned</u>				
	<u>51,673,746</u>		<u>(1,951,854)</u>	<u>49,721,892</u>
Total Fund Balances	<u>\$ 54,318,246</u>	<u>\$ 253,369,051</u>	<u>\$ 29,911,185</u>	<u>\$ 337,598,482</u>

Encumbrances are valid and executed contracts for equipment purchases as of December 31, 2023 for which performance is expected in the subsequent years. Such encumbrances are included in assigned fund balance of the general fund.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

L. Restricted Net Position

The City's government-wide restricted net position as of December 31, 2023 is as follows:

	Restricted Net Position Imposed By			
	Grantors	Donors	Debt Service	Legally Enforceable
Governmental Activities				
<u>Major Governmental Funds:</u>				
General Fund:				
Civic Music Endowment	\$	\$ 43,794	\$	\$
Capital Improvement Fund:				
Flood Control				11,973,617
Economic Development Loans	252,765			
Park and Recreation		40,451		
Tax Increment Financing				11,099,255
Sales Tax Authorized Projects				47,971,594
Destination Medical Center				86,768,277
<u>Nonmajor Governmental Funds:</u>				
Special Revenue Funds:				
Children's Playgrounds	719,809			
CDBG Loans	3,984,531			
Airport Operations				12,123,636
Settlement Funds				362,970
Debt Service Funds:				
Debt Service			4,063,116	
Total Governmental Restricted Net Position	<u>4,957,105</u>	<u>84,245</u>	<u>4,063,116</u>	<u>170,299,349</u>
Business-Type Activities				
Debt Service			644,167	
Funds Held in Trust				48
Total Business-Type Restricted Net Position			<u>644,167</u>	<u>48</u>
Total Government Wide Restricted Net Position	<u>\$ 4,957,105</u>	<u>\$ 84,245</u>	<u>\$ 4,707,283</u>	<u>\$ 170,299,397</u>

M. Deficit Fund Balance

Special Revenue Fund:

 Economic Development Authority Bond \$ 1,843,794

The City intends to fund this accumulated deficit through additional revenue sources.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 3: Detailed Notes on All Funds (continued)

N. Excess Expenditures over Appropriations

At December 31, 2023, excess of expenditures over appropriations, all the result of a planned process, were as follows:

<u>Special Revenue Funds</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Excess</u>
Airport Operations Fund	\$ 5,361,973	\$ 5,118,218	\$ 243,755
Mayo Civic Center	147,175	140,034	7,141
Transit Fund	12,765,184	12,693,885	71,299

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 group health coverage and workers' compensation. The group health program is limited to losses of \$335,000 per claim with a variable annual aggregate, and the workers' compensation is limited to \$500,000 per occurrence, both through the use of stop-loss policies. The City's general and auto liability policies retain a \$100,000 occurrence per \$350,000 annual aggregate deductible exposure with a \$1,500,000 statutory limit of coverage. The City recognizes a liability on individual claims when a claim is probable, and the amount can be reasonably estimated. In addition, the City recognizes an estimated liability on claims that have been incurred but have not been reported.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

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 \$7,806,006 reported in the Fund at December 31, 2023 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, 2023 and 2022 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2023	\$ 2,911,412	\$ 24,982,462	\$ (20,087,868)	\$ 7,806,006
2022	3,380,100	22,561,782	(23,030,470)	2,911,412

B. Commitments

Resource Management Agreement

The Electric Utility has a Resource Management Agreement with the Energy Authority, Inc. as its market participant in the Midcontinent Independent System Operator (MISO) energy and operating reserves market for the Cascade Creek combustion turbines and Westside Energy Station reciprocating engines.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

B. Commitments (continued)

Service Territory Settlements

Under settlement agreements with People's Energy Cooperative (PEC), the Electric Utility is required to make payments to PEC related to the acquisitions of certain electric service rights from PEC. The payment is based on kilowatt hours (kWh) sold in acquired areas and varies by each settlement agreement. The kWh compensation rate ranges from 15.19 mills (tenths of a cent) per kWh to 27.97 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 forty 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 1,171,204,860 kilowatt hours totaling \$96,925,188 from SMMPA during the year ended December 31, 2023.

The Utility rents a portion of its electrical transmission system, known as the North Loop, to SMMPA under a non-cancelable agreement 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 annual lease revenues of \$36,420 are being recognized ratably over the term of the agreement.

The Energy Authority

The Electric Utility has an agreement with The Energy Authority and Missouri Basin Municipal Power Agency for the purchase of capacity. The contract is for 26 MW per month for \$3,500 per MW for planning years 2022-2023 through 2031-2032. The total for the ten years of the contract is \$10,920,000.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4: Other Information (continued)

B. Commitments (continued)

Purchase Commitments/Encumbrances:

The City has active construction projects and equipment purchase commitments. As of December 31, 2023, the City's commitments with contractors and vendors were as follows:

	<u>Remaining Commitment</u>
General Fund:	
Equipment Purchase Commitments*	\$ 872,045
Capital Improvement Fund:	
Major Street Projects	469,525
Sewer and Water Projects	2,531,296
Sidewalk Projects	322,765
Traffic Projects	203,229
Bridge Projects	95,699
Storm Water / Storm Sewer Projects	1,212,830
Flood Control	213,208
Water Reclamation Projects	1,614,063
Parking Ramp Rehabilitation	1,293,282
Airport Projects	1,510,134
Steam Replacement Infrastructure	2,455,799
Golf Courses	23,491
Parks Projects - Various	8,527,958
Plummer House Improvements	325,927
Destination Medical Center	3,502,534
Equipment Purchase Commitments	15,153,175
Total Capital Improvement Fund	39,454,915
Enterprise Funds:	
Electric Projects	1,161,890
Water Projects	187,253
Total Enterprise Funds	1,349,143
Totals	\$ 41,676,103

*See additional disclosures regarding encumbrances in footnote 3:K.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

C. 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, 2023, 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.

D. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which 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. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options. The choice of investment options is made by the participant. The plan is offered through the City in connection with Mission Square Retirement, Empower Retirement, and Minnesota State Retirement System and does not meet the requirements of GASB Statement Nos. 84 and 97 for inclusion as a fiduciary activity of the City.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. 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 Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, 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 Police and Fire Plan also covers police officers and firefighters belonging to local relief associations 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. 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.

1. General Employees Plan Benefits

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

1. General Employees Plan Benefits (continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$4,626,572. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023 were, \$4,714,861. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$43,376,275 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,195,758.

The net pension liability was measured as of June 30, 2023, 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 proportionate share of 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.7757 percent at the end of the measurement period and 0.7807 percent for the beginning of the period.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

City's proportionate share of the net pension liability	\$43,376,275
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,195,758</u>
Total	<u>\$44,572,033</u>

For the year ended December 31, 2023, the City recognized pension expense of \$1,494,348 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$5,374 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan'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	\$ 1,426,698	\$ 301,932
Changes in actuarial assumptions	7,094,208	11,889,065
Net difference between projected and actual investment earnings		1,669,269
Changes in proportion	29,977	363,193
Contributions paid to PERA subsequent to the measurement date	<u>2,442,662</u>	
Total	<u>\$ 10,993,545</u>	<u>\$ 14,223,459</u>

The \$2,442,662 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2024	\$ 995,875
2025	(6,677,017)
2026	949,548
2027	(940,982)

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$35,029,558 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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 proportionate share 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 2.0285 percent at the end of the measurement period and 2.0966 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$1,411,009.

City’s proportionate share of the net pension liability	\$35,029,558
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>1,411,009</u>
Total	<u>\$36,440,567</u>

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$5,022,352 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized (\$84,983) as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$182,563 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan'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	\$ 9,750,042	\$
Changes in actuarial assumptions	41,471,778	49,265,421
Net difference between projected and actual investment earnings		952,592
Changes in proportion	539,658	3,464,083
Contributions paid to PERA subsequent to the measurement date	2,440,890	
Total	\$ 54,202,368	\$ 53,682,096

The \$2,440,890 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2024	\$ 1,379,610
2025	60,459
2026	8,309,409
2027	(2,485,136)
2028	(9,184,960)

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2023 was \$6,437,091.

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate rates 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods and Assumptions (continued)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods and Assumptions (continued)

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis				
<i>Net Pension Liability (Asset) at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	\$ 76,736,115	6.00%	\$ 69,502,820
Current Discount Rate	7.00%	\$ 43,376,275	7.00%	\$ 35,029,558
1% Higher	8.00%	\$ 15,936,539	8.00%	\$ 6,687,924

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2023

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

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.

NOTE 5: 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.

NOTE 6: Tax Abatement Agreements

As of December 31, 2023, the City only provides tax abatements through Pay-as-You-Go (PAYG) Tax Increment Financing (TIF) District agreements under Minnesota Statutes, Sections 469.174 through 469.179. The PAYG TIF Districts in the City pay a developer up to 95% of the previous six months tax increment collected in order to assist with funding a development project. As of December 31, 2023, the City had thirty-six said Districts in which \$6,621,895 of tax revenue was paid out to developers under these agreements.

NOTE 7: Subsequent Events

In June 2024 the City issued General Obligation Improvement Bonds Series 2024A for \$11,400,000 with an interest rate ranging between 4.82% and 5.62%. The bonds were issued for the purpose of financing replacement of old heating and cooling systems and converting to an eco-friendly renewable source of energy for the City Hall, Library, Mayo Civic Center, and Arts Center.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 20, 2024, the date the financial statements were available to be issued.

CITY OF ROCHESTER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

CITY OF ROCHESTER, MINNESOTA
Schedules of City Pension Contributions
December 31, 2023

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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 3,212,117	\$ 3,212,117	\$	\$ 42,828,227	7.50%
2016	3,383,825	3,383,825		45,117,667	7.50%
2017	3,721,078	3,721,078		49,614,373	7.50%
2018	3,765,952	3,765,952		50,212,693	7.50%
2019	3,966,432	3,966,432		52,885,760	7.50%
2020	4,181,509	4,181,509		55,753,453	7.50%
2021	4,232,250	4,232,250		56,430,000	7.50%
2022	4,385,681	4,385,681		58,475,747	7.50%
2023	4,626,572	4,626,572		61,687,627	7.50%

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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 3,140,595	\$ 3,140,595	\$	\$ 19,386,389	16.20%
2016	3,342,831	3,342,831		20,634,759	16.20%
2017	3,669,622	3,669,622		22,651,988	16.20%
2018	3,648,935	3,648,935		22,524,290	16.20%
2019	3,864,563	3,864,563		22,799,782	16.95%
2020	4,141,317	4,141,317		23,397,271	17.70%
2021	4,219,288	4,219,288		23,837,785	17.70%
2022	4,507,928	4,507,928		25,468,520	17.70%
2023	4,714,861	4,714,861		26,637,633	17.70%

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

CITY OF ROCHESTER, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2023

PERA General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.7410%	\$ 38,402,466	\$	\$ 38,402,466	\$ 46,112,718	83.28%	78.20%
2016	0.7271%	59,036,914	771,048	59,807,962	43,972,947	136.01%	68.90%
2017	0.7701%	49,162,676	618,213	49,780,889	47,366,020	105.10%	75.90%
2018	0.7471%	41,446,045	1,359,493	42,805,538	49,913,533	85.76%	79.53%
2019	0.7473%	41,316,543	1,284,111	42,600,654	51,549,227	82.64%	80.23%
2020	0.7818%	46,872,483	1,445,366	48,317,849	54,319,607	88.95%	79.06%
2021	0.7838%	33,471,771	1,022,240	34,494,011	56,091,727	61.50%	87.00%
2022	0.7807%	61,831,698	1,812,748	63,644,446	57,452,873	110.78%	76.70%
2023	0.7757%	43,376,275	1,195,758	44,572,033	60,081,687	74.19%	83.10%

PERA Public Employees Police and Fire Fund Pension Plan
Last Ten Years*

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (b)	City's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2.1770%	\$ 24,735,814	\$	\$ 24,735,814	\$ 20,924,808	118.21%	86.60%
2016	2.1420%	85,962,187		85,962,187	20,010,574	429.58%	63.90%
2017	2.2070%	29,797,126		29,797,126	21,643,373	137.67%	85.40%
2018	2.1372%	22,780,351		22,780,351	22,588,139	100.85%	88.84%
2019	2.2104%	23,531,941		23,531,941	22,662,036	103.84%	89.26%
2020	2.1182%	27,920,142	657,748	28,577,890	23,098,526	123.72%	87.19%
2021	2.0170%	15,569,102	699,917	16,269,019	25,017,452	65.03%	93.66%
2022	2.0966%	91,235,750	3,985,518	95,221,268	11,918,893	798.91%	70.50%
2023	2.0285%	35,029,558	1,411,009	36,440,567	12,734,260	286.16%	86.50%

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

**Other Post-Employment Benefits Plan
Schedule of Changes in the District's Total OPEB
Liability and Related Ratios**

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost	\$ 846,196	\$ 1,116,742	\$ 1,010,612	\$ 857,266	\$ 726,221	\$ 762,822
Interest cost	388,328	349,415	445,845	443,785	371,228	347,995
Assumption changes	(2,893,622)	503,957	1,123,571	1,572,227	(339,748)	
Differences between expected and actual experience		949,631		1,179,725		
Benefit payments	(737,616)	(669,796)	(508,608)	(512,148)	(408,344)	(332,645)
Net change in total OPEB liability	(2,396,714)	2,249,949	2,071,420	3,540,855	349,357	778,172
Total OPEB Liability - beginning of year	18,937,207	16,687,258	14,615,838	11,074,983	10,725,626	9,947,454
Total OPEB Liability - end of year	<u>\$16,540,493</u>	<u>\$18,937,207</u>	<u>\$16,687,258</u>	<u>\$14,615,838</u>	<u>\$11,074,983</u>	<u>\$10,725,626</u>
 Covered-Employee Payroll	 \$83,229,985	 \$80,805,811	 \$80,021,675	 \$77,502,833	 \$72,914,859	 \$70,791,125
 Total OPEB Liability as a % of payroll	 20%	 23%	 21%	 19%	 15%	 15%

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

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

Note: There are no assets in a trust to pay related benefits.

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2023

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2023

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. Beginning in 2020, the City contracts with an outside entity to manage operations of the Center which is now reported in the General Fund.

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.

Settlement Fund: This fund was established using settlement funds received as part of a national settlement against the three largest opioid distributors.

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.

DMCC Fund:

This fund was established to account for activities of the Destination Medical Center Corporation (DMCC).

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2023

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.

TIF Revenue Bond 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.

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 and annual appropriation lease payments) for payment of the lease revenue bonds issued by the Rochester Economic Development Authority.

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.

Lease Revenue 2020A Bond Fund:

This fund is used to account for the accumulation of resources for payment of the general obligation Series 2020A Bonds.

2020C GO Refunding Bond Fund:

This fund is used to account for the accumulation of resources for payment of the general obligation Series 2020C Refunding Bonds.

Energy System Replacement Bond Fund:

This fund is used to account for the accumulation of resources for payment of the general obligation Series 2024A Bonds.

2023A GO Tax Abatement Bond Fund:

This fund is used to account for the accumulation of resources for payment of the general obligation Series 2023A Tax Abatement Bonds.

CITY OF ROCHESTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2023

	Special Revenue								
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Settlement	
ASSETS									
Cash and cash equivalents	\$ 146,693	\$ 33,697	\$ 38,066	\$	\$ 430,443	\$ 28,109	\$ 290,485	\$ 14,203	\$ 98,769
Investments	3,571,600	2,771,700	930,500		10,524,600	687,500	7,102,900	346,700	2,414,500
Accrued interest receivable	21,563	22,232	5,579		63,610	4,200	42,897	2,067	14,598
Accounts receivable (net of allowance for uncollectibles)		428,570			1,388,852		77,063		148,477
Lease receivable					1,902,658				5,755,124
Loans receivable									
Taxes receivable delinquent	111,423	132,398			7,915		147		
Special assessments receivable delinquent		127,145							
Due from other funds									
Due from other governmental units	54,932	253,304	54,262	5,282	98,875		148,865		
Prepaid items	587								
Restricted cash and investments									
Inventory		4,230					28,830		
TOTAL ASSETS	\$ 3,906,798	\$ 3,773,276	\$ 1,028,407	\$ 5,282	\$ 14,416,953	\$ 719,809	\$ 7,691,187	\$ 362,970	\$ 8,431,468
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ 32,429	\$ 200,648	\$	\$	\$ 17,741	\$	\$ 943,155	\$	\$
Accrued compensation and payroll taxes	300,245	325,851					24,423		
Due to other funds	12,212	56,683		5,282	38,361		1,345		42
Advances from other funds									
Unearned revenue		151,364			321,000				
Due to other governmental units	491	167,248			5,642		2,003,315		
Total Liabilities	345,377	901,794		5,282	382,744		2,972,238		42
Deferred Inflows of Resources:									
Unavailable revenue:									
Property taxes	111,423	132,398			7,915		147		
Special assessments		127,145							
Loans receivable									
Leases receivable					1,902,658				5,755,124
Total Deferred Inflows of Resources	111,423	259,543			1,910,573		147		5,755,124
Fund Balance:									
Nonspendable	587	4,230					28,830		
Restricted					12,123,636	719,809		362,970	
Assigned	3,449,411	2,607,709	1,028,407				4,689,972		2,676,302
Unassigned									
Total Fund Balance	3,449,998	2,611,939	1,028,407		12,123,636	719,809	4,718,802	362,970	2,676,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,906,798	\$ 3,773,276	\$ 1,028,407	\$ 5,282	\$ 14,416,953	\$ 719,809	\$ 7,691,187	\$ 362,970	\$ 8,431,468

Community Development Projects	DMCC	Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Lodging Tax Revenue Bond	Debt Service					Total Nonmajor Governmental Funds
						GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	Energy System Replacement Bond	2023A GO Tax Abatement Bond	
\$	\$ 879	\$	\$	\$	\$	\$ 34,243	\$ 1,395,099	\$ 2,016,173	\$ 605,331	\$ 62	\$ 5,132,252
						184	7,507	10,850	3,257		28,350,000
	100,000										198,544
3,984,531							38,601	11,332			2,142,962
											7,657,782
	323,682						9,804	10,242	4,209		3,984,531
72,462	51,854			56,206			282				301,816
											127,145
<u>\$ 4,056,993</u>	<u>\$ 476,415</u>	<u>\$</u>	<u>\$</u>	<u>\$ 56,206</u>	<u>\$</u>	<u>\$ 34,427</u>	<u>\$ 1,451,293</u>	<u>\$ 2,048,597</u>	<u>\$ 612,797</u>	<u>\$ 62</u>	<u>\$ 49,072,940</u>
\$ 50,615	\$ 323,561	\$	\$	\$	\$	\$ 34,127	\$	\$	\$	\$	\$ 1,602,276
											650,519
11,538	101,000			1,900,000							226,463
	51,854										1,900,000
10,309											524,218
<u>72,462</u>	<u>476,415</u>			<u>1,900,000</u>		<u>34,127</u>					<u>2,187,005</u>
											7,090,481
							38,601	11,332			301,816
3,984,531											127,145
											3,984,531
<u>3,984,531</u>							<u>38,601</u>	<u>11,332</u>			<u>7,657,782</u>
											12,071,274
	51,854			56,206							141,707
						300	1,412,692	2,037,265	612,797	62	17,269,531
	(51,854)			(1,900,000)							14,451,801
				(1,843,794)		300	1,412,692	2,037,265	612,797	62	(1,951,854)
<u>\$ 4,056,993</u>	<u>\$ 476,415</u>	<u>\$</u>	<u>\$</u>	<u>\$ 56,206</u>	<u>\$</u>	<u>\$ 34,427</u>	<u>\$ 1,451,293</u>	<u>\$ 2,048,597</u>	<u>\$ 612,797</u>	<u>\$ 62</u>	<u>\$ 49,072,940</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	Special Revenue								
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Settlement	Minnesota Bio Science Center
REVENUES									
General property taxes	\$ 7,760,673	\$ 9,650,296	\$	\$	\$ 503,381	\$	\$ 22	\$	\$
Tax increment collection									
Nonproperty tax			365,462						
Intergovernmental revenues	1,236,610	217,632		27,958	1,498,424		12,166,629	79,353	
Charges for services	28,104	4,465,210			2,560,509		1,705,521		
Interest earnings	50,877	31,737	18,648		197,413	13,300	165,772	6,798	41,772
Net increase in the fair value of investments	94,100	75,800	36,400		251,200	18,699	184,800	7,900	59,500
Rental revenues		1,100			2,105,667				2,617,840
Miscellaneous revenues	315,834	298,747			2,477		127,545		
Total Revenues	9,486,198	14,740,522	420,510	27,958	7,119,071	31,999	14,350,289	94,051	2,719,112
EXPENDITURES									
Public safety				27,958				40,000	
Culture	9,238,919								
Park and recreation		14,021,984	147,175						
Airport operations					5,361,973				
Transit							12,765,184		
Economic development/tourism									1,575,899
Debt service									
Total Expenditures	9,238,919	14,021,984	147,175	27,958	5,361,973		12,765,184	40,000	1,575,899
Excess (deficiency) of revenues over (under) expenditures	247,279	718,538	273,335		1,757,098	31,999	1,585,105	54,051	1,143,213
OTHER FINANCING SOURCES (USES)									
Issuance of debt									
Transfers in		10,369							
Transfers out	(24,000)	(349,170)	(225,428)				(240,435)		(927,560)
Total Other Financing Sources (Uses)	(24,000)	(338,801)	(225,428)				(240,435)		(927,560)
Net change in fund balances	223,279	379,737	47,907		1,757,098	31,999	1,344,670	54,051	215,653
Fund Balances - beginning	3,226,719	2,232,202	980,500		10,366,538	687,810	3,374,132	308,919	2,460,649
Fund Balances - ending	\$ 3,449,998	\$ 2,611,939	\$ 1,028,407	\$	\$ 12,123,636	\$ 719,809	\$ 4,718,802	\$ 362,970	\$ 2,676,302

Community Development Projects	DMCC	Debt Service									Total Nonmajor Governmental Funds
		Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	Energy System Replacement Bond	2023A GO Tax Abatement Bond	
\$	\$	\$ 395,428	\$	\$	\$	\$	\$ 1,410,171	\$ 1,403,591	\$ 605,466	\$	\$21,333,600
772,551											395,428
5,089						156	23,216	20,299	7,331	143	365,462
											15,999,157
153,052											8,759,344
930,692		395,428				156	1,433,387	1,423,890	612,797	143	582,551
											728,399
											4,724,607
											897,655
											67,958
738,692	2,402,541	395,428	1,456,831	26,802	3,044,613	3,215,976		1,329,980		93,906	9,238,919
738,692	2,402,541	395,428	1,456,831	2,247,752	3,044,613	3,215,976		1,329,980		93,906	14,169,159
				2,274,554							5,361,973
192,000	(2,402,541)		(1,456,831)	(2,274,554)	(3,044,613)	(3,215,820)	1,433,387	93,910	612,797	(93,763)	12,765,184
											4,743,934
											11,784,486
											58,131,613
											93,825
(192,000)	2,402,541		1,456,831	2,254,935	3,044,613	3,215,826					93,825
(192,000)	2,402,541		1,456,831	2,254,935	3,044,613	3,215,826	(1,327,375)				12,385,115
											(3,285,968)
											9,192,972
				(19,619)		6	106,012	93,910	612,797	62	4,847,562
				(1,824,175)		294	1,306,680	1,943,355			25,063,623
\$	\$	\$	\$	\$ (1,843,794)	\$	\$ 300	\$ 1,412,692	\$ 2,037,265	\$ 612,797	\$ 62	\$29,911,185

CITY OF ROCHESTER, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,816,734	\$ 7,816,734	\$ 7,760,673	\$ (56,061)
Intergovernmental revenues	1,169,818	1,249,228	1,236,610	(12,618)
Charges for services	10,807	10,807	28,104	17,297
Interest earnings	11,500	44,487	50,877	6,390
Net increase in the fair value of investments			94,100	94,100
Miscellaneous revenues:				
Contributions		314,745	314,745	
Other	2,029	2,029	1,089	(940)
Total Revenues	9,010,888	9,438,030	9,486,198	48,168
EXPENDITURES				
Public Library	9,059,273	9,083,974	8,885,193	198,781
Gifts appropriations		407,423	353,726	53,697
Total Expenditures	9,059,273	9,491,397	9,238,919	252,478
Excess (deficiency) of revenues over (under) expenditures	(48,385)	(53,367)	247,279	300,646
OTHER FINANCING USES				
Transfers out	(24,000)	(24,000)	(24,000)	
Net change in fund balance	(72,385)	(77,367)	223,279	300,646
Fund Balance - beginning	3,226,719	3,226,719	3,226,719	
Fund Balance - ending	\$ 3,154,334	\$ 3,149,352	\$ 3,449,998	\$ 300,646

**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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,720,195	\$ 9,720,195	\$ 9,650,296	\$ (69,899)
Intergovernmental revenues	101,195	183,728	217,632	33,904
Charges for services	4,046,606	4,046,606	4,465,210	418,604
Interest earnings	21,400	21,400	31,737	10,337
Net increase in the fair value of investments			75,800	75,800
Rental revenues	1,040	1,040	1,100	60
Miscellaneous revenues:				
Contributions	11,960	50,016	44,223	(5,793)
Other	162,768	170,586	254,524	83,938
Total Revenues	<u>14,065,164</u>	<u>14,193,571</u>	<u>14,740,522</u>	<u>546,951</u>
EXPENDITURES				
Administration	671,736	673,311	718,634	(45,323)
Recreation Department	799,181	821,222	716,924	104,298
Golf	1,701,156	1,734,287	1,737,433	(3,146)
Tennis Center	60,762	60,762	62,310	(1,548)
Volleyball Center	415,704	422,021	513,560	(91,539)
Swimming Pools	140,184	140,184	140,393	(209)
Graham Arenas	910,024	910,024	984,544	(74,520)
Park	7,674,727	7,803,272	7,420,834	382,438
Plummer House	105,424	105,424	78,662	26,762
Recreation Center	1,434,901	1,434,901	1,648,690	(213,789)
Total Expenditures	<u>13,913,799</u>	<u>14,105,408</u>	<u>14,021,984</u>	<u>83,424</u>
Excess of revenues over expenditures	<u>151,365</u>	<u>88,163</u>	<u>718,538</u>	<u>630,375</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		10,369	10,369	
Transfers out	(211,662)	(349,170)	(349,170)	
Total Other Financing Sources (Uses)	<u>(211,662)</u>	<u>(338,801)</u>	<u>(338,801)</u>	
Net change in fund balance	(60,297)	(250,638)	379,737	630,375
Fund Balance - beginning	<u>2,232,202</u>	<u>2,232,202</u>	<u>2,232,202</u>	
Fund Balance - ending	<u>\$ 2,171,905</u>	<u>\$ 1,981,564</u>	<u>\$ 2,611,939</u>	<u>\$ 630,375</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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 365,462	\$ 365,462	\$ 365,462	\$
Interest earnings			18,648	18,648
Net increase in the fair value of investments			36,400	36,400
Total Revenues	<u>365,462</u>	<u>365,462</u>	<u>420,510</u>	<u>55,048</u>
EXPENDITURES				
Mayo Civic Center	<u>140,034</u>	<u>140,034</u>	<u>147,175</u>	<u>(7,141)</u>
Excess of revenues over expenditures	225,428	225,428	273,335	47,907
OTHER FINANCING USES				
Transfers out	<u>(225,428)</u>	<u>(225,428)</u>	<u>(225,428)</u>	
Net change in fund balance			47,907	47,907
Fund Balance - beginning	<u>980,500</u>	<u>980,500</u>	<u>980,500</u>	
Fund Balance - ending	<u>\$ 980,500</u>	<u>\$ 980,500</u>	<u>\$ 1,028,407</u>	<u>\$ 47,907</u>

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, 2023

	<u>Budgeted Amounts</u>		2023	Variance with
	<u>Original</u>	<u>Final</u>	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 506,628	\$ 506,628	\$ 503,381	\$ (3,247)
Intergovernmental revenues	2,313,910	2,313,910	1,498,424	(815,486)
Charges for services	2,448,691	2,448,691	2,560,509	111,818
Interest earnings	11,560	11,560	197,413	185,853
Net increase in the fair value of investments			251,200	251,200
Rental revenues	2,071,322	2,071,322	2,105,667	34,345
Miscellaneous revenues	10,400	10,400	2,477	(7,923)
Total Revenues	<u>7,362,511</u>	<u>7,362,511</u>	<u>7,119,071</u>	<u>(243,440)</u>
EXPENDITURES				
Airport operations	4,953,488	4,953,488	5,092,135	(138,647)
US customs operations	164,730	164,730	269,838	(105,108)
Total Expenditures	<u>5,118,218</u>	<u>5,118,218</u>	<u>5,361,973</u>	<u>(243,755)</u>
Net change in fund balance	2,244,293	2,244,293	1,757,098	(487,195)
Fund Balance - beginning	<u>10,366,538</u>	<u>10,366,538</u>	<u>10,366,538</u>	<u> </u>
Fund Balance - ending	<u>\$12,610,831</u>	<u>\$12,610,831</u>	<u>\$12,123,636</u>	<u>\$ (487,195)</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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest earnings	\$ 6,600	\$ 6,600	\$ 13,300	\$ 6,700
Net increase in the fair value of investments			18,699	18,699
Net change in fund balance	6,600	6,600	31,999	25,399
Fund Balance - beginning	687,810	687,810	687,810	
Fund Balance - ending	<u>\$ 694,410</u>	<u>\$ 694,410</u>	<u>\$ 719,809</u>	<u>\$ 25,399</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, 2023

	Budgeted Amounts		2023 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 22	\$ 22
Intergovernmental revenues	9,347,845	9,347,845	12,166,629	2,818,784
Charges for services	2,579,104	2,579,104	1,705,521	(873,583)
Interest earnings	26,700	26,700	165,772	139,072
Net increase in the fair value of investments			184,800	184,800
Miscellaneous revenues	67,872	108,827	127,545	18,718
Total Revenues	<u>12,021,521</u>	<u>12,062,476</u>	<u>14,350,289</u>	<u>2,287,813</u>
EXPENDITURES				
Fixed route	11,478,230	11,537,316	11,439,008	98,308
Demand response - ZIPS	1,156,569	1,156,569	1,326,176	(169,607)
Total Expenditures	<u>12,634,799</u>	<u>12,693,885</u>	<u>12,765,184</u>	<u>(71,299)</u>
Excess (deficiency) of revenues over (under) expenditures	(613,278)	(631,409)	1,585,105	2,216,514
OTHER FINANCING USES				
Transfers out			(240,435)	(240,435)
Net change in fund balance	(613,278)	(631,409)	1,344,670	1,976,079
Fund Balance - beginning	<u>3,374,132</u>	<u>3,374,132</u>	<u>3,374,132</u>	
Fund Balance - ending	<u>\$ 2,760,854</u>	<u>\$ 2,742,723</u>	<u>\$ 4,718,802</u>	<u>\$ 1,976,079</u>

CITY OF ROCHESTER, MINNESOTA
DMCC FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		2023	Variance with
	<u>Original</u>	<u>Final</u>	Actual	Final Budget -
			Amounts	Positive
				(Negative)
EXPENDITURES				
Economic development/tourism	<u>\$ 2,855,845</u>	<u>\$ 2,855,845</u>	<u>\$ 2,402,541</u>	<u>\$ 453,304</u>
Excess (deficiency) of revenues over (under) expenditures	(2,855,845)	(2,855,845)	(2,402,541)	453,304
OTHER FINANCING				
SOURCES				
Transfers in	<u>2,855,845</u>	<u>2,855,845</u>	<u>2,402,541</u>	<u>(453,304)</u>
Net change in fund balance				
Fund Balance - beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - ending	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2023

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.

Employee Benefits Fund:

This fund was established to account for the payout of vacation and sick accruals for employee retirements.

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2023

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 404,921	\$ 300,182	\$ 1,151,798	\$ 82,683	\$ 1,939,584
Investments	9,899,000	7,339,000	28,160,100	3,972,200	49,370,300
Accrued interest receivable	59,861	44,337	170,263	24,036	298,497
Accounts receivable	56,190				56,190
Taxes receivable delinquent	7,674	14,924			22,598
Advances to other funds			3,663,515		3,663,515
Due from other governmental units	2,335	10			2,345
Total Current Assets	<u>10,429,981</u>	<u>7,698,453</u>	<u>33,145,676</u>	<u>4,078,919</u>	<u>55,353,029</u>
Noncurrent Assets:					
Capital assets:					
Construction in process	562,465				562,465
Machinery and equipment	46,656,248	5,235,138			51,891,386
Less: Accumulated depreciation	<u>(32,593,032)</u>	<u>(3,676,914)</u>			<u>(36,269,946)</u>
Total capital assets (net of accumulated depreciation)	<u>14,625,681</u>	<u>1,558,224</u>			<u>16,183,905</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from OPEB activity			4,006,966		4,006,966
Total Assets and Deferred Outflows of Resources	<u>25,055,662</u>	<u>9,256,677</u>	<u>37,152,642</u>	<u>4,078,919</u>	<u>75,543,900</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	12,777	124,715	464,422		601,914
Accrued interest payable	19,450				19,450
Deposits payable			1,166		1,166
Unearned revenue			176,350		176,350
Due to other governmental units		16,688	59,079		75,767
Accrued claims			6,575,682		6,575,682
Bonds payable	270,000				270,000
Subscription liability		300,649			300,649
Post employment benefit obligation			847,169		847,169
Total Current Liabilities	<u>302,227</u>	<u>442,052</u>	<u>8,123,868</u>		<u>8,868,147</u>
Noncurrent Liabilities:					
Bonds payable	1,165,000				1,165,000
Subscription liability		967,139			967,139
Accrued claims			1,230,324		1,230,324
Post employment benefit obligation			15,693,324		15,693,324
Total Noncurrent Liabilities	<u>1,165,000</u>	<u>967,139</u>	<u>16,923,648</u>		<u>19,055,787</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from OPEB activity			2,659,322		2,659,322
Total Liabilities and Deferred Inflows of Resources	<u>1,467,227</u>	<u>1,409,191</u>	<u>27,706,838</u>		<u>30,583,256</u>
NET POSITION					
Net investment in capital assets	13,190,681	290,436			13,481,117
Unrestricted	<u>10,397,754</u>	<u>7,557,050</u>	<u>9,445,804</u>	<u>4,078,919</u>	<u>31,479,527</u>
Total Net Position	<u>\$ 23,588,435</u>	<u>\$ 7,847,486</u>	<u>\$ 9,445,804</u>	<u>\$ 4,078,919</u>	<u>\$ 44,960,644</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, 2023

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 3,376,781	\$ 2,953,675	\$	\$	\$ 6,330,456
Copy center charges	24,107				24,107
Departmental workers' compensation charges			897,711		897,711
Departmental insurance charges			24,571,632		24,571,632
Departmental flex charges			13,680		13,680
Employee insurance charges			2,453,179		2,453,179
Employee flex benefit contributions			621,277		621,277
Total Operating Revenues	<u>3,400,888</u>	<u>2,953,675</u>	<u>28,557,479</u>		<u>34,912,042</u>
Operating Expenses:					
Copy center	15,552				15,552
Minor equipment		320,487			320,487
Workers' compensation benefits			856,275		856,275
Workers' compensation insurance premiums			260,019		260,019
Health insurance claims			31,532,191		31,532,191
Flex benefits			653,757		653,757
Property and liability insurance			1,298,948		1,298,948
Property and liability claims			110,390		110,390
Computer software and maintenance		805,954			805,954
Other	6,950	214,350			221,300
Depreciation and amortization	3,220,484	492,195			3,712,679
Total Operating Expenses	<u>3,242,986</u>	<u>1,832,986</u>	<u>34,711,580</u>		<u>39,787,552</u>
Operating Income (Loss)	<u>157,902</u>	<u>1,120,689</u>	<u>(6,154,101)</u>		<u>(4,875,510)</u>
Nonoperating Revenues (Expenses):					
General property taxes	331,658	14,221			345,879
Interest earnings	188,109	128,886	553,320	66,851	937,166
Net increase in the fair value of investments	263,400	158,800	686,000	74,900	1,183,100
Interest and fiscal charges	(47,385)	(55,004)			(102,389)
Gain on disposal of property	40,828				40,828
Other income	28,827				28,827
Total Nonoperating Revenues (Expenses)	<u>805,437</u>	<u>246,903</u>	<u>1,239,320</u>	<u>141,751</u>	<u>2,433,411</u>
Income (Loss) Before Transfers and Capital Contributions	963,339	1,367,592	(4,914,781)	141,751	(2,442,099)
Capital contributions	412,853				412,853
Transfers in			88,186	1,100,000	1,188,186
Transfers out		(50,494)		(88,000)	(138,494)
Change in Net Position	1,376,192	1,317,098	(4,826,595)	1,153,751	(979,554)
Total Net Position - beginning	<u>22,212,243</u>	<u>6,530,388</u>	<u>14,272,399</u>	<u>2,925,168</u>	<u>45,940,198</u>
Total Net Position - ending	<u>\$ 23,588,435</u>	<u>\$ 7,847,486</u>	<u>\$ 9,445,804</u>	<u>\$ 4,078,919</u>	<u>\$ 44,960,644</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 3,345,578	\$ 2,953,670	\$ 25,483,023	\$	\$ 31,782,271
Cash received from employees			3,074,456		3,074,456
Cash received from others			323,367		323,367
Cash paid to suppliers	(20,636)	(1,327,560)	(29,013,373)		(30,361,569)
Other income	28,827				28,827
Net Cash Provided By Operating Activities	<u>3,353,769</u>	<u>1,626,110</u>	<u>(132,527)</u>		<u>4,847,352</u>
Cash Flows From Noncapital Financing Activities:					
General property taxes	330,241	38			330,279
Repayment of interfund advance			682,881		682,881
Transfers in			88,186	1,100,000	1,188,186
Transfers out		(50,494)		(88,000)	(138,494)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>330,241</u>	<u>(50,456)</u>	<u>771,067</u>	<u>1,012,000</u>	<u>2,062,852</u>
Cash Flows From Capital and Related Financing Activities:					
Principal payments on bonds	(260,000)				(260,000)
Interest payments on bonds	(50,909)				(50,909)
Principal payments on subscription liability		(290,398)			(290,398)
Interest payments on subscription liability		(55,004)			(55,004)
Proceeds from sale of property	72,622				72,622
Acquisition of capital assets	(3,301,366)	(182,430)			(3,483,796)
Net Cash Used In Capital and Related Financing Activities	<u>(3,539,653)</u>	<u>(527,832)</u>			<u>(4,067,485)</u>
Cash Flows From Investing Activities:					
Investment income	172,230	113,079	501,154	57,013	843,476
Net (increase) decrease in investments	(254,100)	(1,098,100)	(2,301,800)	(1,170,900)	(4,824,900)
Net Cash Used In Investing Activities	<u>(81,870)</u>	<u>(985,021)</u>	<u>(1,800,646)</u>	<u>(1,113,887)</u>	<u>(3,981,424)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,487	62,801	(1,162,106)	(101,887)	(1,138,705)
Cash and Cash Equivalents, Beginning of Year	342,434	237,381	2,313,904	184,570	3,078,289
Cash and Cash Equivalents, End of Year	<u>\$ 404,921</u>	<u>\$ 300,182</u>	<u>\$ 1,151,798</u>	<u>\$ 82,683</u>	<u>\$ 1,939,584</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2023

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Income (Loss)	\$ 157,902	\$ 1,120,689	\$ (6,154,101)	\$	\$ (4,875,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation and amortization	3,220,484	492,195			3,712,679
Other income	28,827				28,827
(Increase) Decrease In:					
Accounts receivable	(56,190)		323,367		267,177
Due from other governmental units	880	(5)			875
Deferred outflows from OPEB activity			524,936		524,936
Increase (Decrease) In:					
Accounts payable	1,866	(595)	125,224		126,495
Deposits payable			(903)		(903)
Unearned revenue			27,413		27,413
Due to other governmental units		13,826	34,207		48,033
Post employment benefit obligation			(2,396,714)		(2,396,714)
Deferred inflows from OPEB activity			2,489,450		2,489,450
Accrued claims			4,894,594		4,894,594
Net Cash Provided by Operating Activities	<u>\$ 3,353,769</u>	<u>\$ 1,626,110</u>	<u>\$ (132,527)</u>	<u>\$</u>	<u>\$ 4,847,352</u>
Non Cash Transactions:					
Increase in fair value of investments	\$ 263,400	\$ 158,800	\$ 686,000	\$ 74,900	\$ 1,183,100
Receipt of contributed property	412,853				412,853
Equipment purchases in accounts payable at year end	10,911				10,911
SBITA additions		1,558,186			1,558,186

(This Page is Left Blank Intentionally)