

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the electric and water enterprise funds, both of which are major enterprise funds, which represent 57 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 0.4 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 reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the electric and water enterprise funds and the DMCC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota, as of December 31, 2020, and the respective changes in financial position and cash flows thereof 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 18, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information, and statistical section 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 schedules 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 by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Honorable Mayor and Members
of the City Council
City of Rochester, Minnesota
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2021 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, Schepu and Associates, Ltd.

Rochester, Minnesota
June 18, 2021

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

As management of the City of Rochester, Minnesota, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended December 31, 2020, with comparative data for the fiscal year ended December 31, 2019. 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 \$1,498,373,742 (*net position*). Of this amount, \$295,951,642 (*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 \$87,855,728.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$252,656,618, an increase of \$59,884,535 in comparison with the prior year. Approximately 15 percent of this total amount, or \$37,183,900, 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 \$41,712,614 or approximately 45 percent of total general fund expenditures. This is slightly above the City's target of 42 percent of expenditures.
- The City of Rochester increased total outstanding long-term debt obligations by \$31,108,000 during the current fiscal year. The increase includes the issuance of \$39,840,000 in refunding bonds that will be used to refinance the 2010A and 2012A bonds in 2021 and 2022, respectively.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Additional explanation of these sections of the financial statements follows.

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

The *statement of net position* presents information on all of the City of Rochester's assets, 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/Mayo Civic Center, economic development/tourism, and community reinvestment. The business-type activities of the City of Rochester include parking, electric utility, water utility, sewer utility, and the storm water utility. The electric and water utilities, comprising the Rochester Public Utilities (RPU), are under the direction of the Board of Public Utilities.

The government-wide financial statements can be found on pages 19-21 of this report.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The City of Rochester maintains twenty 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 eighteen 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 97-107 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 101-107) to demonstrate compliance with the budget.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the parking, electric, water, sewer, and storm water utilities, all of which are considered to be major funds of the City of Rochester. Conversely, all 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 36-91 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 97-112 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 \$1,498,373,742 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net position (74 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 334,088,425	\$ 267,768,519	\$ 264,152,083	\$ 235,854,935	\$ 598,240,508	\$ 503,623,454
Capital assets	806,190,811	784,113,841	672,351,429	672,213,159	1,478,542,240	1,456,327,000
Total assets	<u>1,140,279,236</u>	<u>1,051,882,360</u>	<u>936,503,512</u>	<u>908,068,094</u>	<u>2,076,782,748</u>	<u>1,959,950,454</u>
Deferred outflows of resources	20,803,138	26,938,671	2,872,671	2,650,728	23,675,809	29,589,399
Total assets and deferred outflows of resources	<u>1,161,082,374</u>	<u>1,078,821,031</u>	<u>939,376,183</u>	<u>910,718,822</u>	<u>2,100,458,557</u>	<u>1,989,539,853</u>
Long-term liabilities						
outstanding	175,864,700	141,093,307	268,273,777	267,747,063	444,138,477	408,840,370
Other liabilities	95,734,130	81,222,085	36,681,850	42,335,234	132,415,980	123,557,319
Total liabilities	<u>271,598,830</u>	<u>222,315,392</u>	<u>304,955,627</u>	<u>310,082,297</u>	<u>576,554,457</u>	<u>532,397,689</u>
Deferred inflows of resources	22,370,152	40,711,216	3,160,206	5,912,934	25,530,358	46,624,150
Total liabilities and deferred inflows of resources	<u>293,968,982</u>	<u>263,026,608</u>	<u>308,115,833</u>	<u>315,995,231</u>	<u>602,084,815</u>	<u>579,021,839</u>
Net position:						
Net investment in capital assets	664,240,977	654,541,381	446,923,580	421,097,162	1,111,164,557	1,075,638,543
Restricted	90,731,293	60,030,830	526,250	502,006	91,257,543	60,532,836
Unrestricted	<u>112,141,122</u>	<u>101,222,212</u>	<u>183,810,520</u>	<u>173,124,423</u>	<u>295,951,642</u>	<u>274,346,635</u>
Total net position	<u>\$ 867,113,392</u>	<u>\$ 815,794,423</u>	<u>\$ 631,260,350</u>	<u>\$ 594,723,591</u>	<u>\$ 1,498,373,742</u>	<u>\$ 1,410,518,014</u>

An additional portion of the City of Rochester's net position (6.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$295,951,642) 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 \$51,318,969. Most of this increase can be attributable to the capital grants and contributions (primarily street contributions, park and rec grants, and state grants for Destination Medical Center capital projects). Additional net position growth resulted from increased operating grants and contributions and unused contingency.

Business-type activities. Business-type activities increased the City of Rochester's net position by \$36,536,759. 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:

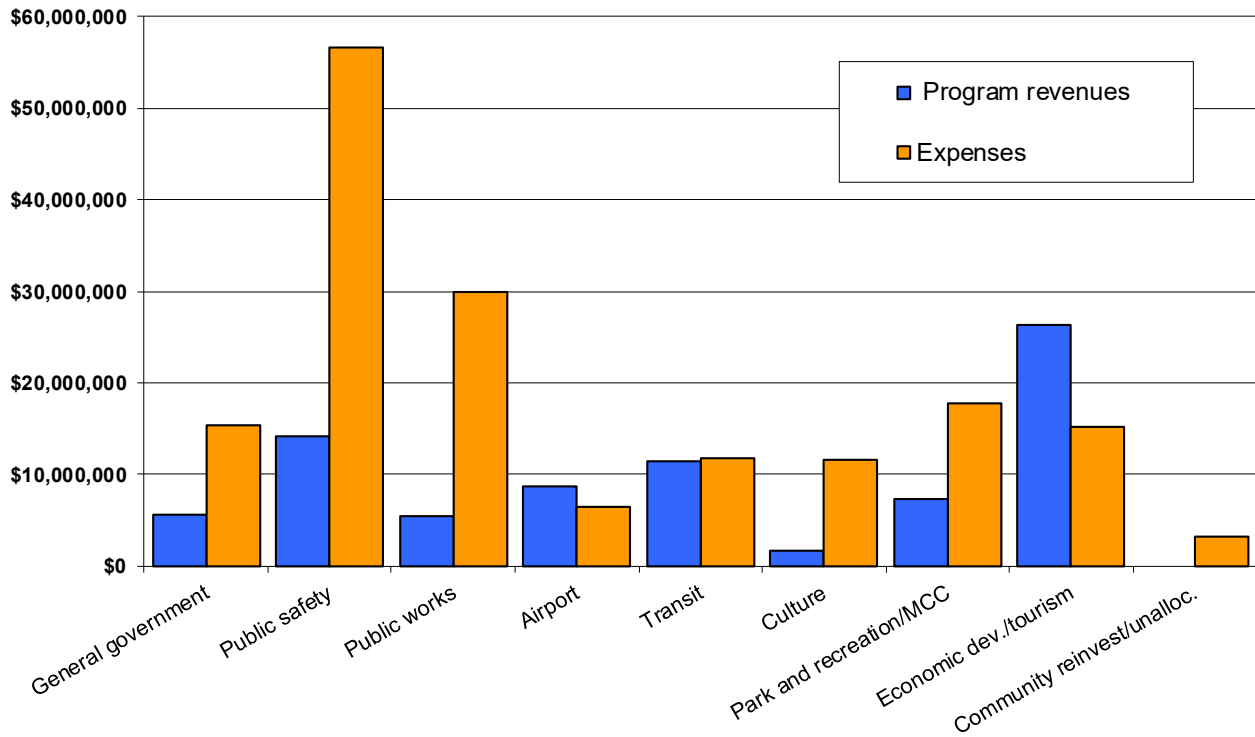
City of Rochester's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program revenues:						
Charges for services	\$ 19,263,100	\$ 29,449,918	\$ 224,370,278	\$ 222,147,260	\$ 243,633,378	\$ 251,597,178
Operating grants and contributions	27,051,632	15,629,736			27,051,632	15,629,736
Capital grants and contributions	34,471,085	30,531,514	4,909,200	3,761,983	39,380,285	34,293,497
General revenues:						
Property taxes	79,754,265	74,393,424			79,754,265	74,393,424
Other taxes	30,320,625	34,596,873			30,320,625	34,596,873
Grants and contributions not restricted to specific programs						
Local government aid	7,547,074	7,525,463			7,547,074	7,525,463
Other	176,443	3,139,232			176,443	3,139,232
Miscellaneous	8,467,195	9,001,019	4,724,221	5,658,961	13,191,416	14,659,980
Total revenues	<u>207,051,419</u>	<u>204,267,179</u>	<u>234,003,699</u>	<u>231,568,204</u>	<u>441,055,118</u>	<u>435,835,383</u>
Expenses:						
General government	15,299,666	14,054,824			15,299,666	14,054,824
Public safety	56,628,727	56,158,527			56,628,727	56,158,527
Public works	29,873,381	29,986,312			29,873,381	29,986,312
Airport	6,546,820	7,027,098			6,546,820	7,027,098
Transit	11,692,809	13,109,713			11,692,809	13,109,713
Culture	11,666,915	11,819,593			11,666,915	11,819,593
Park and recreation/Mayo Civic Center	17,835,183	24,217,797			17,835,183	24,217,797
Economic development/tourism	15,154,618	13,199,647			15,154,618	13,199,647
Community reinvestment/unallocated	3,254,940	857,267			3,254,940	857,267
Interest on long-term debt	4,425,175	4,323,447			4,425,175	4,323,447
Parking			5,066,969	5,247,595	5,066,969	5,247,595
Electric			141,475,382	143,564,632	141,475,382	143,564,632
Water			10,557,106	10,342,165	10,557,106	10,342,165
Sewer			18,522,755	17,671,928	18,522,755	17,671,928
Storm water			5,198,944	4,543,218	5,198,944	4,543,218
Total expenses	<u>172,378,234</u>	<u>174,754,225</u>	<u>180,821,156</u>	<u>181,369,538</u>	<u>353,199,390</u>	<u>356,123,763</u>
Increase in net position before transfers	34,673,185	29,512,954	53,182,543	50,198,666	87,855,728	79,711,620
Transfers	16,645,784	10,315,658	(16,645,784)	(10,315,658)		
Increase in net position	51,318,969	39,828,612	36,536,759	39,883,008	87,855,728	79,711,620
Net position - beginning of year	815,794,423	775,965,811	594,723,591	554,840,583	1,410,518,014	1,330,806,394
Net position, end of year	<u>\$ 867,113,392</u>	<u>\$ 815,794,423</u>	<u>\$ 631,260,350</u>	<u>\$ 594,723,591</u>	<u>\$ 1,498,373,742</u>	<u>\$ 1,410,518,014</u>

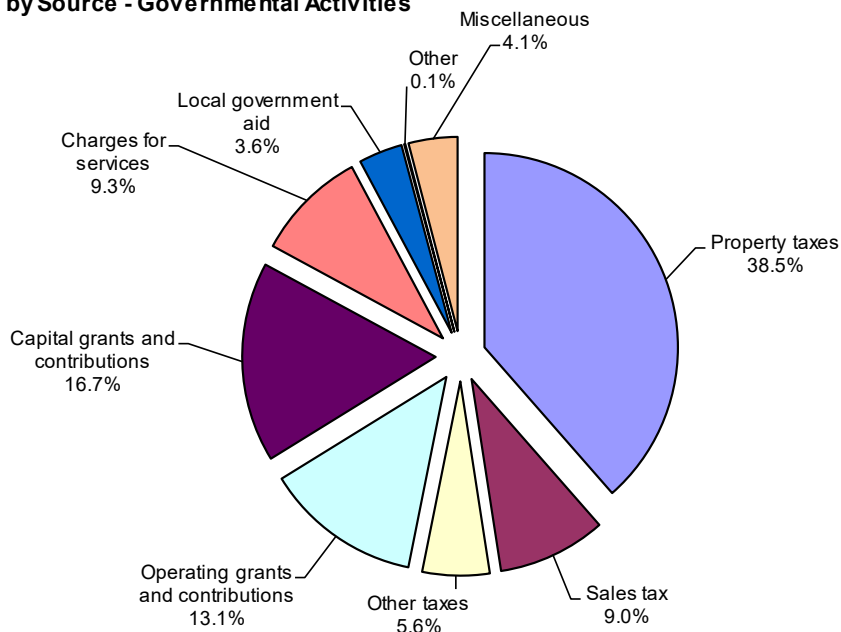
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



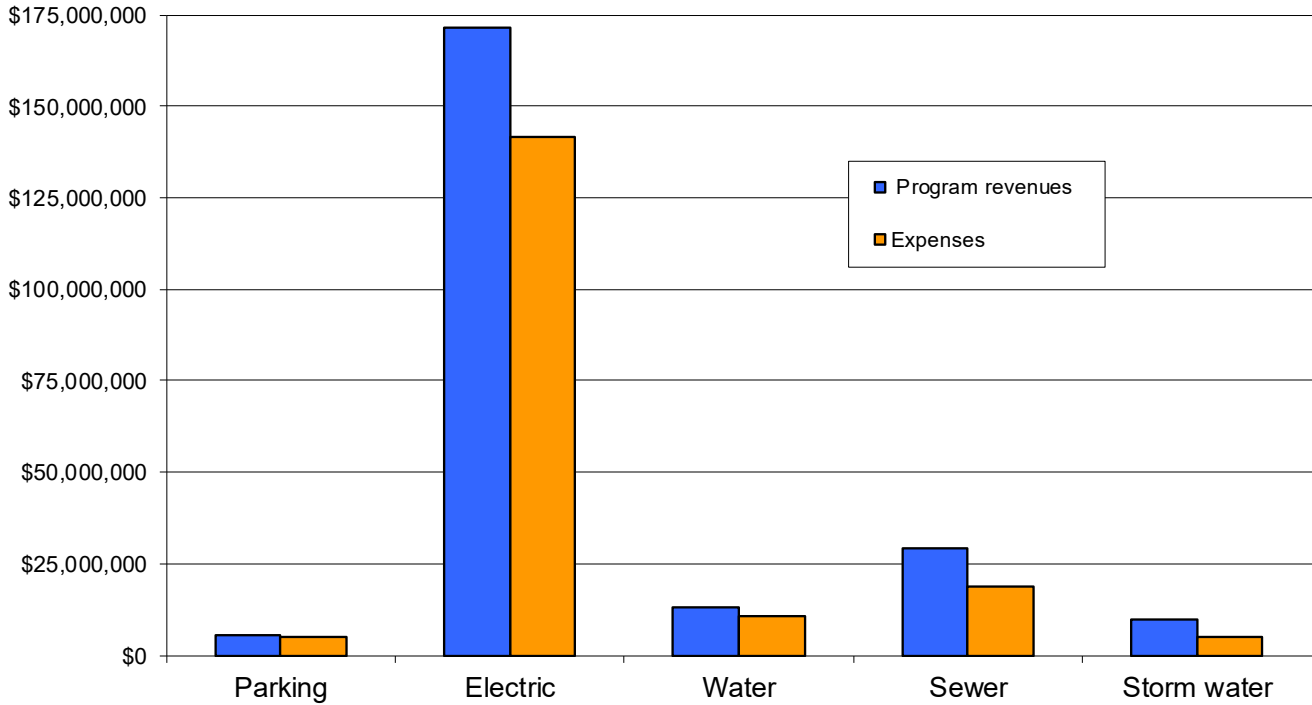
Revenues by Source - Governmental Activities



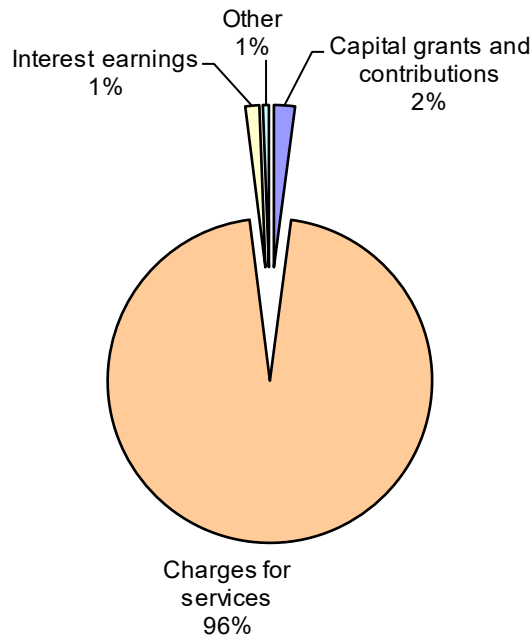
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$252,656,618, an increase of \$59,884,535 from the prior year. The general fund increased fund balance by \$1.8 million due to increased state aid, operational savings of various departments, and remaining contingency balance. The capital improvement fund increased fund balance by \$35.7 million, largely due to sales tax collections and state money for Destination Medical Center. Additionally, all other governmental funds reflected a net increase of \$22.3 million in fund balance, largely showing up in the Airport and Transit funds as well as bond proceeds for a bond refunding.

Approximately 15 percent of the total fund balance, or \$37,183,900, constitutes unassigned fund balance, which is available for spending at the government's discretion, \$1,381,510 is considered to be nonspendable (prepaid or inventory), \$111,856,567 has been restricted by grantors, donors, debt covenants, or regulation, \$85,976,443 has been committed by council action for CIP projects, and \$16,258,198 represents assigned fund balance, the portion of fund balance that reflects the amounts the City intends to use for a specific purpose.

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

Governmental funds (continued).

The general fund is the chief operating fund of the City of Rochester. The general fund increased its total fund balance by \$1,830,877 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$39,511,388 while total fund balance amounted to \$42,918,818. 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 42 percent of total general fund expenditures, while total fund balance represents 46 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 \$388,909 for the year. Much of this increase was the result of new gift appropriations. Operational expenditures were held \$976,687 below the approved budget. Of that amount, \$651,322 related to rollover of gift appropriations which are not reflected in the budget.

The municipal recreation fund decreased its fund balance by \$153,453 as net gains in the Park Operations and Golf program were not enough to offset losses in the Graham Arena, National Volleyball Center, and Rec Center programs. The decrease in fund balance can also be attributed to \$304,664 being transferred out for capital improvement needs.

The Mayo Civic Center fund decreased its fund balance by \$368,945, which can be attributed to \$360,815 being transferred out for repayment of an internal borrowing. The Mayo Civic Center operations are no longer reflected as revenues and expenditures of the City. Beginning January 1, 2021 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 \$1,721,968 for the year to \$7,741,572, which can be attributed to revenues exceeding budget. Additionally, Council provided \$548,657 in budgeted tax levy for the airport in 2020 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 \$965,740 due to an increase in grant revenue and lower than expected supply costs.

Minnesota Bio Science Center fund increased fund balance by \$209,208, after \$926,416 was transferred out for debt service and repayment of internal borrowing. The facility continues to maintain a consistently high occupancy level.

Debt service fund balances increased by \$19,549,033 due to the issuance of a refunding bond. The payoff of the original bond issue occurs in 2021.

The capital improvement fund increased fund balance by \$35,735,394 due in large part to the sales tax collections and state money for Destination Medical Center projects.

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 - \$15,113,950 Electric - \$98,239,717, Water - \$9,470,783, Sewer - \$63,865,553, and Storm Water - \$21,429,651. All proprietary funds reported increases in total net position for the year with the exception of Parking.

The Sewer Utility reported a \$7.4 million increase in net position for the year as revenues improved from prior year due to scheduled rate increases. The Sewer Utility's rates were increased based upon a rate study completed during 2015, and the City Council adopted a six-year schedule of rate adjustments through 2021. In addition, the "plant investment fee" was increased to \$3,500 in 2020. 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 \$2.7 million in 2020. This utility's rates were increased by 3.5% in January of 2020 and held steady for 2021. A water utility cost of service study was completed in 2019, with the Utility Board and City Council accepting a five-year schedule of rate adjustments.

The Electric Utility net position increased \$23.9 million in 2020 after a favorable resolution in a FERC transmission case. This utility's rates held steady in 2020. A cost of service study was completed and accepted by the Utility Board and City Council in 2020. There is no rate increase again in 2021.

The Parking Enterprise's net position decreased \$1.2 million due to decrease in parking revenues resulting from the pandemic. 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 \$3.8 million in 2020. Storm Water rates increased 10.75% in January 2020 based on a storm water rate study completed in 2015. This rate study approved by the City Council created a five-year rate adjustment plan. Prior to 2016, this utility's last increase was in 2011, an increase of 3% following the rate structure approved by City Council for years 2008 through 2011.

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 \$1.1 million in 2020 primarily due to an increase in tax levy support and gain on equipment disposals.

The information technology revolving fund's net position increased \$314,459 in 2020 primarily due to an increase in both departmental and employee insurance charges.

The self-insurance fund's net position increased \$563,082 in 2020 primarily due to an increase in both departmental and employee insurance charges.

The employee benefit fund has a net position of \$1,043,814. It is a new fund established in 2020 to help with payout of accumulated sick and vacation for retiring employees.

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

General Fund Budgetary Highlights

The City approved the 2020 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.
- Increase in community development budget to address expenditures for professional services.
- Reductions in unallocated contingency account to offset increases in mayor and council, city administrator, city clerk, and other initiatives. While there was an increase in the total unallocated for the appropriation of CARES Act revenue.
- Increase in transfers out for capital improvement projects.

At the close of the year, general fund total expenditures were \$11,230,261 below final budget while actual revenues were below final budget by \$414,401. These variances to budget can be traced to lower than expected permit revenues and savings in police and fire budgets due to a delay in hiring of approved positions and lower than expected overtime usage.

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, 2020, amounts to \$1,478,542,240 (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 \$22,215,240, or 1.5 percent. This increase is a result of significant construction activities in buildings and 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 75,975,062	\$ 75,575,149	\$ 22,486,382	\$ 22,485,642	\$ 98,461,444	\$ 98,060,791
Buildings	276,511,071	264,016,491	305,611,864	277,474,159	582,122,935	541,490,650
Improvements other than buildings	25,068,871	26,349,226			25,068,871	26,349,226
Machinery and equipment	35,647,827	37,749,498	311,685,344	316,835,135	347,333,171	354,584,633
Infrastructure	342,156,512	348,516,247			342,156,512	348,516,247
Construction in progress	50,831,468	31,907,230	32,567,839	55,418,223	83,399,307	87,325,453
Total	<u>\$ 806,190,811</u>	<u>\$ 784,113,841</u>	<u>\$ 672,351,429</u>	<u>\$ 672,213,159</u>	<u>\$ 1,478,542,240</u>	<u>\$ 1,456,327,000</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 57-59 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 \$393,639,000 in bonds and notes outstanding. Of this amount, \$199,230,000 comprises debt backed by the full faith and credit of the government, and \$194,409,000 represents bonds and notes secured solely by specified revenue sources. 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	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 1,740,000	\$ 2,040,000	\$	\$	\$ 1,740,000	\$ 2,040,000
General obligation tax increment revenue bonds	19,980,000	20,715,000			19,980,000	20,715,000
General obligation lodging tax revenue bonds	36,710,000	38,090,000			36,710,000	38,090,000
General obligation equipment certificates of indebtedness	2,190,000	2,225,000			2,190,000	2,225,000
General obligation taxable Build America bonds	19,325,000	20,300,000			19,325,000	20,300,000
General obligation refunding bonds	16,460,000				16,460,000	
General obligation sales tax revenue bonds	30,305,000	32,870,000			30,305,000	32,870,000
General obligation revenue crossover refunding bonds			72,520,000	65,675,000	72,520,000	65,675,000
Revenue bonds	29,244,000	9,436,000	165,165,000	171,180,000	194,409,000	180,616,000
Total	<u>\$ 155,954,000</u>	<u>\$ 125,676,000</u>	<u>\$ 237,685,000</u>	<u>\$ 236,855,000</u>	<u>\$ 393,639,000</u>	<u>\$ 362,531,000</u>

The City of Rochester's total bonds and notes payable increased by \$31,108,000 during the current fiscal year.

There were three bond issuances during 2020. An EDA Lease Revenue Bond was issued in the amount of \$20,300,000 related to the construction of the Development Infrastructure Service Center and North Precinct. A Revenue Refunding Bond in the amount of \$23,380,000 to refinance the 2012A bonds. A Taxable Refunding Bond in the amount of \$16,460,000 to refinance the 2010A bonds.

Other principal reductions occurred as a result of scheduled debt service payments on existing debt and a call on the Revenue Refunding Bonds, Series 2015D. A more detailed breakdown of these obligations can be found in Note 3:H., beginning on page 63.

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

- The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closing or limitations of businesses, as well as shelter in place orders for citizens. During May 2020, the City completed \$26.6 million in combined reductions in the 2020 budget for all funds in anticipation of fiscal impacts of the pandemic. The expectation of a lingering impact into 2021 resulted in austere budget planning for the 2021 budget year.
- Rochester's unemployment rate increased by 0.6 percent to 4.0 percent by the end of March 2021. This remains below the state and U.S. averages of 4.5 percent and 6.2 percent, respectively. A loss of 3,691 jobs brought the total employment figure through March 2021 to 117,633 from the March 2020 level of 121,324.
- Building activity fell in 2020. Commercial and residential building permits issued for 2020 totaled \$366,671,424. Permit totals were down 24 percent from a year ago and down 37.6 percent from 2018. Permit values for the first quarter of 2021 totaled \$100,254,482. This represents a decrease of 1.4 percent over first quarter 2020 and an increase of 23.8 percent over the first quarter of 2019.
- 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.

This legislation secured State, City, and County funding of \$585 million to help construct the significant public infrastructure needed to support this growth. An additional 0.25% local option sales tax dedicated towards the City's share of this funding became effective January 1, 2016. Construction is underway for "Heart of the City" and "Discovery Walk" areas of the downtown. The transportation studies are complete and an important step in securing federal funding that will be needed for those significant projects envisioned in the plan. Transit hub locations have been identified and land is being secured. Electric buses and charging stations are being secured for use on the circulator routes to bring riders from the transit hubs to the downtown DMCC district and back.

- A number of projects under the voter-approved extension of Rochester's 1/2-cent sales tax were completed. Further road and transit facility projects are planned for 2021.
- Design work is completed, and groundbreaking has occurred for 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 not increased for pay 2021 due to continued fiscal impacts the COVID-19 pandemic has had on the community.
- 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.

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

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

- Interest rates have remained at historical lows since 2010 and were just beginning to increase until the pandemic impacted the national economy. This continues to make earnings of the City's investment portfolio fall significantly below prior levels and affecting our reserve funds.

All of these factors were considered in preparing the City of Rochester's budget for the 2021 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.

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CITY OF ROCHESTER, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,742,114	\$ 19,418,175	\$ 27,160,289
Investments	263,123,776	157,178,952	420,302,728
Land held for resale	625,000		625,000
Receivables (net of allowance for uncollectibles)	24,416,860	18,189,225	42,606,085
Internal balances	(2,850,742)	2,850,742	
Due from other governmental units	17,995,406	285,370	18,280,776
Accrued utility revenues		5,938,316	5,938,316
Restricted cash and investments	21,654,501	39,977,042	61,631,543
Inventory	1,161,244	6,385,072	7,546,316
Prepaid items	220,266		220,266
Other assets		13,929,189	13,929,189
Capital assets:			
Nondepreciable	126,806,530	55,054,221	181,860,751
Depreciable, net	679,384,281	617,297,208	1,296,681,489
Total Assets	<u>1,140,279,236</u>	<u>936,503,512</u>	<u>2,076,782,748</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from OPEB activity	2,983,497		2,983,497
Deferred outflows from pension activity	17,819,641	2,064,550	19,884,191
Unamortized deferred amount on refunding		808,121	808,121
Total Deferred Outflows of Resources	<u>20,803,138</u>	<u>2,872,671</u>	<u>23,675,809</u>
LIABILITIES			
Accounts and contracts payable	8,086,675	10,536,812	18,623,487
Deposits payable	1,332,292	1,953,135	3,285,427
Accrued interest payable	1,893,360	1,795,362	3,688,722
Accrued compensation and payroll taxes	2,833,552	949,337	3,782,889
Accrued claims	2,481,079	6,000	2,487,079
Due to other governmental units	4,143,359	25,198	4,168,557
Unearned revenue	5,193,605	1,777,751	6,971,356
Noncurrent liabilities:			
Due within one year	14,991,000	16,547,613	31,538,613
Due in more than one year	160,873,700	251,726,164	412,599,864
Other post-employment benefit liability	14,615,838		14,615,838
Net pension liability	55,154,370	19,638,255	74,792,625
Total Liabilities	<u>271,598,830</u>	<u>304,955,627</u>	<u>576,554,457</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from OPEB activity	254,810		254,810
Deferred inflows from pension activity	22,115,342	930,538	23,045,880
Unamortized deferred amount on refunding		1,320,046	1,320,046
Solar choice deferred inflows of resources		416,325	416,325
Advance payments on leases		493,297	493,297
Total Deferred Inflows of Resources	<u>22,370,152</u>	<u>3,160,206</u>	<u>25,530,358</u>
NET POSITION			
Net investment in capital assets	664,240,977	446,923,580	1,111,164,557
Restricted for:			
Airport	7,741,572		7,741,572
CDBG loans	3,975,072		3,975,072
Economic development loan	263,885		263,885
Civic music endowment	42,849		42,849
Park and recreation	110,771		110,771
Debt service	21,414,301	526,250	21,940,551
Children's playgrounds	706,090		706,090
Flood control	14,330,197		14,330,197
Tax increment financing	3,155,288		3,155,288
Sales tax authorized projects	38,991,268		38,991,268
Unrestricted	112,141,122	183,810,520	295,951,642
Total Net Position	<u>\$ 867,113,392</u>	<u>\$ 631,260,350</u>	<u>\$ 1,498,373,742</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 15,299,666	\$ 1,012,484	\$ 4,357,104	\$ 221,077
Public safety	56,628,727	6,720,629	7,470,004	
Public works	29,873,381	593,277	1,566,512	3,331,657
Airport	6,546,820	3,711,942	1,358,511	3,553,200
Transit	11,692,809	1,179,848	9,699,122	573,953
Culture	11,666,915	75,061	1,677,656	
Park and recreation/Mayo Civic Center	17,835,183	2,694,062	586,892	4,084,686
Economic development/tourism	15,154,618	3,275,797	335,831	22,706,512
Community reinvestment/unallocated	3,254,940			
Interest on long-term debt	4,425,175			
Total governmental activities	172,378,234	19,263,100	27,051,632	34,471,085
Business-Type activities:				
Parking	5,066,969	5,415,442		28,712
Electric utility	141,475,382	169,193,312		2,368,672
Water utility	10,557,106	12,088,036		1,167,299
Sewer utility	18,522,755	28,604,735		756,428
Storm water utility	5,198,944	9,068,753		588,089
Total business-type activities	180,821,156	224,370,278		4,909,200
Total	\$ 353,199,390	\$ 243,633,378	\$ 27,051,632	\$ 39,380,285

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
\$ (9,709,001)	\$	\$ (9,709,001)
(42,438,094)		(42,438,094)
(24,381,935)		(24,381,935)
2,076,833		2,076,833
(239,886)		(239,886)
(9,914,198)		(9,914,198)
(10,469,543)		(10,469,543)
11,163,522		11,163,522
(3,254,940)		(3,254,940)
(4,425,175)		(4,425,175)
<u>(91,592,417)</u>		<u>(91,592,417)</u>
	377,185	377,185
	30,086,602	30,086,602
	2,698,229	2,698,229
	10,838,408	10,838,408
	<u>4,457,898</u>	<u>4,457,898</u>
	<u>48,458,322</u>	<u>48,458,322</u>
<u>(91,592,417)</u>	<u>48,458,322</u>	<u>(43,134,095)</u>
79,754,265		79,754,265
4,393,652		4,393,652
18,705,750		18,705,750
7,221,223		7,221,223
7,547,074		7,547,074
176,443		176,443
4,389,440	3,249,445	7,638,885
215,691	62,777	278,468
2,201,228	1,173,200	3,374,428
1,660,836	238,799	1,899,635
16,645,784	(16,645,784)	
<u>142,911,386</u>	<u>(11,921,563)</u>	<u>130,989,823</u>
51,318,969	36,536,759	87,855,728
<u>815,794,423</u>	<u>594,723,591</u>	<u>1,410,518,014</u>
<u>\$ 867,113,392</u>	<u>\$ 631,260,350</u>	<u>\$ 1,498,373,742</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2020

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,558,216	\$ 1,456,773	\$ 3,376,405	\$ 6,391,394
Investments	37,783,476	160,597,000	26,108,000	224,488,476
Land held for resale		625,000		625,000
Accrued interest receivable	526,594	719,801	129,773	1,376,168
Accounts receivable (net of allowance for uncollectibles)	1,051,823	679,406	4,140,301	5,871,530
Loans receivable		654,932	3,975,072	4,630,004
Taxes receivable delinquent	1,248,149	792,005	437,118	2,477,272
Special assessments receivable:				
Deferred		9,665,810		9,665,810
Delinquent	26,295	99,886	91,935	218,116
Due from other funds	1,181,063	993,310	62,843	2,237,216
Due from other governmental units	3,810,965	11,311,304	2,855,351	17,977,620
Prepaid items	17,526		202,740	220,266
Restricted cash and investments	42,849	3,138,393	18,473,259	21,654,501
Inventory	1,145,829		15,415	1,161,244
TOTAL ASSETS	\$ 48,392,785	\$ 190,733,620	\$ 59,868,212	\$ 298,994,617
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 723,961	\$ 4,967,619	\$ 1,212,157	\$ 6,903,737
Deposits payable	361,958	460,874	536,708	1,359,540
Accrued compensation and payroll taxes	2,391,233		442,319	2,833,552
Due to other funds	598,082	359,583	507,298	1,464,963
Advances from other funds		5,457,780	2,200,000	7,657,780
Unearned revenue		346,473	4,643,076	4,989,549
Due to other governmental units	124,289	460	4,012,927	4,137,676
Total Liabilities	4,199,523	11,592,789	13,554,485	29,346,797
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes	1,248,149	792,005	437,118	2,477,272
Special assessments	26,295	9,765,696	91,935	9,883,926
Loans receivable		654,932	3,975,072	4,630,004
Total Deferred Inflows of Resources	1,274,444	11,212,633	4,504,125	16,991,202
Fund Balance:				
Nonspendable	1,163,355		218,155	1,381,510
Restricted	42,849	81,951,755	29,861,963	111,856,567
Committed		85,976,443		85,976,443
Assigned	2,201,226		14,056,972	16,258,198
Unassigned	39,511,388		(2,327,488)	37,183,900
Total Fund Balance	42,918,818	167,928,198	41,809,602	252,656,618
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 48,392,785	\$ 190,733,620	\$ 59,868,212	\$ 298,994,617

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, 2020

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

Total governmental fund balances (page 22)		\$ 252,656,618
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 1,193,222,852	
Less: Accumulated depreciation	<u>(404,342,415)</u>	788,880,437
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 2,695,388	
Deferred special assessments	9,665,810	
Loans receivable	<u>4,630,004</u>	16,991,202
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.		
		43,573,582
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	\$ 17,819,641	
Deferred inflows related to pensions	<u>(22,115,342)</u>	(4,295,701)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (153,764,000)	
Net pension liability	(55,154,370)	
Compensated absences	(12,303,214)	
Accrued interest	(1,863,676)	
Unamortized bond premium	<u>(7,607,486)</u>	<u>(230,692,746)</u>
Net position of governmental activities (page 19)		<u>\$ 867,113,392</u>

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

For the Year Ended December 31, 2020

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 53,601,590	\$ 5,398,683	\$ 18,744,455	\$ 77,744,728
Tax increments collection		3,993,757	399,895	4,393,652
Sales tax		18,705,750		18,705,750
Special assessments		2,473,699		2,473,699
Utility connection and availability		353,887		353,887
Nonproperty taxes	4,472,620	2,517,644	230,959	7,221,223
Licenses and permits	4,016,237			4,016,237
Fines and forfeits	342,996			342,996
Intergovernmental revenues	20,765,736	31,136,269	13,379,207	65,281,212
Charges for services	3,883,140	286,214	5,543,966	9,713,320
Interest earnings	549,491	2,723,944	420,031	3,693,466
Net increase in the fair value of investments	261,128	1,377,000	232,400	1,870,528
Rental revenues	60,169	744,267	4,557,608	5,362,044
Miscellaneous revenues	694,319	1,310,092	1,293,875	3,298,286
Total Revenues	88,647,426	71,021,206	44,802,396	204,471,028
EXPENDITURES				
Current:				
General government	15,039,049			15,039,049
Public safety	54,327,506			54,327,506
Public works	14,929,155			14,929,155
Airport operations			4,214,941	4,214,941
Transit			9,732,828	9,732,828
Culture	1,519,597		8,741,358	10,260,955
Park and recreation/Mayo Civic Center			11,604,813	11,604,813
Economic development/tourism	4,177,720		4,491,754	8,669,474
Community reinvestment and unallocated	3,255,133			3,255,133
Debt service			10,794,257	10,794,257
Capital outlay		60,214,102		60,214,102
Total Expenditures	93,248,160	60,214,102	49,579,951	203,042,213
Excess (deficiency) of revenues over (under) expenditures	(4,600,734)	10,807,104	(4,777,555)	1,428,815
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds		20,300,000	16,460,000	36,760,000
Premium on issuance of bonds		2,011,082	2,044,042	4,055,124
Transfers in	12,492,900	11,931,838	11,018,589	35,443,327
Transfers out	(6,061,289)	(9,314,630)	(2,426,812)	(17,802,731)
Total other financing sources (uses)	6,431,611	24,928,290	27,095,819	58,455,720
Net change in fund balances	1,830,877	35,735,394	22,318,264	59,884,535
Fund Balance - beginning	41,087,941	132,192,804	19,491,338	192,772,083
Fund Balance - ending	\$ 42,918,818	\$ 167,928,198	\$ 41,809,602	\$ 252,656,618

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

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

Net change in fund balances - total governmental funds (page 24)		\$ 59,884,535
<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	\$ 49,670,966	
Depreciation expense	<u>(27,028,924)</u>	22,642,042
<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>		
		247,049
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(118,299)
<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>		
		(1,814,591)
<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, 2020	\$ (12,303,214)	
Compensated absences December 31, 2019	<u>11,520,847</u>	(782,367)
<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>		
Principal retirement on long-term debt	\$ 6,397,000	
Issuance of bonds payable, including premium	(40,815,124)	
Change in pension activity	2,562,163	
Amortization of bond premium	344,098	
Change in accrued interest	<u>(303,626)</u>	(31,815,489)
<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>3,076,089</u>
Change in net position of governmental activities (pages 20 and 21)		<u>\$ 51,318,969</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 54,561,466	\$ 54,811,466	\$ 53,601,590	\$ (1,209,876)
Nonproperty taxes	7,490,341	4,342,101	4,472,620	130,519
Licenses and permits	5,001,477	4,789,828	4,016,237	(773,591)
Fines and forfeits	409,308	459,095	342,996	(116,099)
Intergovernmental	11,215,543	19,803,770	20,765,736	961,966
Charges for services	4,336,036	4,265,676	3,883,140	(382,536)
Interest earnings	235,000	235,809	549,491	313,682
Net increase (decrease) in the fair value of investments	(50,000)	(50,000)	261,128	311,128
Rental revenues	63,287	63,287	60,169	(3,118)
Miscellaneous revenues	252,151	340,795	694,319	353,524
Total Revenues	<u>83,514,609</u>	<u>89,061,827</u>	<u>88,647,426</u>	<u>(414,401)</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	1,003,096	1,017,105	934,976	82,129
City Administrator	1,368,993	2,061,853	1,820,605	241,248
Development District Administration	219,609	76,010	136,192	(60,182)
City Clerk	1,183,704	1,229,078	1,070,814	158,264
Elections and Voter Registration	375,183	469,594	479,061	(9,467)
Finance Department	2,085,256	2,146,826	1,968,248	178,578
Information Systems	2,466,377	2,326,468	2,294,833	31,635
City Attorney	2,100,449	2,126,690	1,788,332	338,358
Human Resources	2,256,754	2,370,973	1,947,868	423,105
Community Development	1,867,750	2,133,939	1,782,974	350,965
DSIC and North Station Maintenance		201,102	136,621	64,481
City Hall Maintenance	606,313	740,905	678,525	62,380
Total General Government	<u>15,533,484</u>	<u>16,900,543</u>	<u>15,039,049</u>	<u>1,861,494</u>
Public Safety:				
Police Department	31,467,108	33,850,591	29,472,352	4,378,239
Fire Department	19,169,123	20,744,505	18,958,304	1,786,201
Fire Hazmat Response Team		65,990	62,311	3,679
Building Safety	4,205,091	4,587,737	4,054,455	533,282
Animal Control	400,393	428,730	372,256	56,474
Drug Enforcement Administration		281,633	21,244	260,389
Flood Control	735,195	716,761	616,250	100,511
Emergency Mgmt/Safety Council	335,805	810,802	770,334	40,468
Total Public Safety	<u>56,312,715</u>	<u>61,486,749</u>	<u>54,327,506</u>	<u>7,159,243</u>

**CITY OF ROCHESTER, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)
For the Year Ended December 31, 2020**

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current:				
Public Works:				
Engineering	3,958,339	3,452,948	3,282,803	170,145
PWTOC Building/Site Operations	52,367	50,229	66,934	(16,705)
Traffic Engineer	1,674,169	1,676,344	1,530,444	145,900
Infrastructure Maintenance	9,425,048	9,502,706	8,635,693	867,013
City Lighting	1,381,228	1,381,228	1,413,281	(32,053)
Total Public Works	<u>16,491,151</u>	<u>16,063,455</u>	<u>14,929,155</u>	<u>1,134,300</u>
Culture:				
Art Center/Theatre/Senior Center	864,679	864,679	757,608	107,071
Music Department	1,118,808	1,259,929	761,989	497,940
Total Culture	<u>1,983,487</u>	<u>2,124,608</u>	<u>1,519,597</u>	<u>605,011</u>
Economic Development/Tourism	<u>4,476,500</u>	<u>4,189,900</u>	<u>4,177,720</u>	<u>12,180</u>
Unallocated:				
Community Reinvestment and Unallocated	2,878,471	1,112,638	714,199	398,439
CARES Act	<u>2,878,471</u>	<u>2,600,528</u>	<u>2,540,934</u>	<u>59,594</u>
Total Unallocated	<u>2,878,471</u>	<u>3,713,166</u>	<u>3,255,133</u>	<u>458,033</u>
Total Expenditures	<u>97,675,808</u>	<u>104,478,421</u>	<u>93,248,160</u>	<u>11,230,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,161,199)</u>	<u>(15,416,594)</u>	<u>(4,600,734)</u>	<u>10,815,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,616,053	13,668,786	12,492,900	(1,175,886)
Transfers out		(6,046,267)	(6,061,289)	(15,022)
Total other financing sources (uses)	<u>13,616,053</u>	<u>7,622,519</u>	<u>6,431,611</u>	<u>(1,190,908)</u>
Net change in fund balances	<u>(545,146)</u>	<u>(7,794,075)</u>	<u>1,830,877</u>	<u>9,624,952</u>
Fund Balance - beginning	<u>41,087,941</u>	<u>41,087,941</u>	<u>41,087,941</u>	
Fund Balance - ending	<u>\$40,542,795</u>	<u>\$33,293,866</u>	<u>\$42,918,818</u>	<u>\$ 9,624,952</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2020

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 257,234	\$ 16,475,623	\$ 2,182,242
Investments	12,811,052	73,937,210	9,793,190
Accrued interest receivable	56,416		
Accounts receivable	116,422	16,867,446	767,069
Accrued utility revenues		5,753,163	185,153
Taxes receivable delinquent			
Inventory, material, supplies and fuel		6,180,943	199,994
Due from other funds			
Advances to other funds	2,200,000		
Due from other governmental units			
Restricted and reserved cash		1,174,529	
Other assets		1,925,357	140,665
Total Current Assets	<u>15,441,124</u>	<u>122,314,271</u>	<u>13,268,313</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	12,817,627	23,016,705	4,965,052
Depreciable	71,515,707	498,889,133	151,981,448
Less: Accumulated depreciation	(27,819,400)	(246,883,505)	(56,746,775)
Net capital assets	<u>56,513,934</u>	<u>275,022,333</u>	<u>100,199,725</u>
Restricted and reserved cash	114,548		
Restricted investments		12,955,835	
Other assets		11,854,296	
Total Noncurrent Assets	<u>56,628,482</u>	<u>299,832,464</u>	<u>100,199,725</u>
Total Assets	<u>72,069,606</u>	<u>422,146,735</u>	<u>113,468,038</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		808,121	
Deferred outflows from OPEB activity			
Deferred outflows from pension activity	30,367	1,476,546	197,011
Total Deferred Outflows of Resources	<u>30,367</u>	<u>2,284,667</u>	<u>197,011</u>
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	77,124	9,933,468	276,779
Deposits payable		1,818,877	128,883
Accrued interest payable		648,279	
Accrued compensation and payroll taxes	16,883	655,116	94,779
Accrued compensated absences	43,313	1,960,578	317,936
Due to other funds	522	2,827,807	972,210
Due to other governmental units	20,264		
Unearned revenue			
Accrued claims			
Current maturities of long term debt		6,315,000	
Total Current Liabilities	<u>158,106</u>	<u>24,159,125</u>	<u>1,790,587</u>
Noncurrent Liabilities:			
Bonds payable, net of unamortized premium		175,764,837	
Accrued compensated absences	21,902	1,462,251	219,919
Net pension liability	279,902	14,285,386	1,807,972
Unearned revenue		1,777,751	
Accrued claims		6,000	
Total post employment benefit obligation			
Total Noncurrent Liabilities	<u>301,804</u>	<u>193,296,225</u>	<u>2,027,891</u>
Total Liabilities	<u>459,910</u>	<u>217,455,350</u>	<u>3,818,478</u>
DEFERRED INFLOWS OF RESOURCES			
Advance payments on leases		401,081	92,216
Deferred charge on refunding			
Solar choice deferred inflows of resources		416,325	
Deferred inflows from OPEB activity			
Deferred inflows from pension activity	12,179	686,226	83,847
Total Deferred Inflows of Resources	<u>12,179</u>	<u>1,503,632</u>	<u>176,063</u>
NET POSITION			
Net investment in capital assets	56,513,934	106,706,453	100,199,725
Restricted:			
Debt service		526,250	
Unrestricted	15,113,950	98,239,717	9,470,783
Total Net Position	<u>\$ 71,627,884</u>	<u>\$ 205,472,420</u>	<u>\$ 109,670,508</u>

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

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 84,944	\$ 418,132	\$ 19,418,175	\$ 1,350,720
39,922,900	20,714,600	157,178,952	38,635,300
171,396	90,428	318,240	169,198
62,832	57,216	17,870,985	
		5,938,316	8,762
4,135		6,385,072	
2,552,134	733,767	3,285,901	
		2,200,000	5,457,780
206,847	78,523	285,370	17,786
		1,174,529	
		2,066,022	
<u>43,005,188</u>	<u>22,092,666</u>	<u>216,121,562</u>	<u>45,639,546</u>
6,655,116	7,599,721	55,054,221	1,316,148
339,013,175	90,309,291	1,151,708,754	46,749,983
(183,512,171)	(19,449,695)	(534,411,546)	(30,755,757)
<u>162,156,120</u>	<u>78,459,317</u>	<u>672,351,429</u>	<u>17,310,374</u>
25,732,130		25,846,678	
		12,955,835	
8,871		11,863,167	
<u>187,897,121</u>	<u>78,459,317</u>	<u>723,017,109</u>	<u>17,310,374</u>
<u>230,902,309</u>	<u>100,551,983</u>	<u>939,138,671</u>	<u>62,949,920</u>
		808,121	
			2,983,497
301,429	59,197	2,064,550	
<u>301,429</u>	<u>59,197</u>	<u>2,872,671</u>	<u>2,983,497</u>
150,358	99,083	10,536,812	1,182,938
5,375		1,953,135	1,330
1,147,083		1,795,362	29,684
160,073	22,486	949,337	
294,228	46,558	2,662,613	
197,329	60,286	4,058,154	
4,821	113	25,198	5,683
			175,478
			1,470,851
7,570,000		13,885,000	245,000
<u>9,529,267</u>	<u>228,526</u>	<u>35,865,611</u>	<u>3,110,964</u>
73,954,052		249,718,889	1,945,000
279,932	23,271	2,007,275	
2,812,749	452,246	19,638,255	
		1,777,751	
		6,000	1,010,228
			14,615,838
<u>77,046,733</u>	<u>475,517</u>	<u>273,148,170</u>	<u>17,571,066</u>
<u>86,576,000</u>	<u>704,043</u>	<u>309,013,781</u>	<u>20,682,030</u>
		493,297	
1,320,046		1,320,046	
		416,325	
			254,810
130,117	18,169	930,538	
<u>1,450,163</u>	<u>18,169</u>	<u>3,160,206</u>	<u>254,810</u>
105,044,152	78,459,317	446,923,581	15,120,374
		526,250	
38,133,423	21,429,651	182,387,524	29,876,203
<u>\$ 143,177,575</u>	<u>\$ 99,888,968</u>	<u>629,837,355</u>	<u>\$ 44,996,577</u>
		1,422,995	
		<u>\$ 631,260,350</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2020

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 5,415,442	\$	\$
Sales and charges for services, pledged as security for revenue bonds		145,914,097	10,665,362
Miscellaneous		23,279,215	1,422,674
Total Operating Revenues	<u>5,415,442</u>	<u>169,193,312</u>	<u>12,088,036</u>
Operating Expenses:			
Purchased power		85,672,582	
Maintenance and operations	3,687,892	34,368,964	7,800,244
Amortization of regulatory assets		443,271	
Depreciation	1,387,982	14,515,722	2,745,455
Total Operating Expenses	<u>5,075,874</u>	<u>135,000,539</u>	<u>10,545,699</u>
Operating Income	<u>339,568</u>	<u>34,192,773</u>	<u>1,542,337</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	28,712		
Interest earnings	238,010	1,538,139	208,343
Net increase in the fair value of investments	92,000	641,500	15,000
Interest and fiscal charges		(6,340,590)	(775)
Amortization of regulatory assets		(80,602)	
Gain (loss) on disposal of property			
Other income (expense)	19,520	(6,400)	(4,609)
Total Nonoperating Revenues (Expenses)	<u>378,242</u>	<u>(4,247,953)</u>	<u>217,959</u>
Income Before Transfers and Capital Contributions	717,810	29,944,820	1,760,296
Capital contributions		2,368,672	1,283,398
Transfers in			
Transfers out	<u>(1,954,149)</u>	<u>(8,369,519)</u>	<u>(384,531)</u>
Change in net position	(1,236,339)	23,943,973	2,659,163
Net Position - Beginning of Year	<u>72,864,223</u>	<u>181,528,447</u>	<u>107,011,345</u>
Net Position - End of Year	<u>\$ 71,627,884</u>	<u>\$ 205,472,420</u>	<u>\$ 109,670,508</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	
\$	\$ 8,749,032	\$ 14,164,474	\$ 30,170,284
28,494,658		185,074,117	
110,077	319,721	25,131,687	
<u>28,604,735</u>	<u>9,068,753</u>	<u>224,370,278</u>	<u>30,170,284</u>
		85,672,582	
11,118,709	3,422,696	60,398,505	26,337,640
		443,271	
<u>5,922,906</u>	<u>1,778,462</u>	<u>26,350,527</u>	<u>3,506,462</u>
<u>17,041,615</u>	<u>5,201,158</u>	<u>172,864,885</u>	<u>29,844,102</u>
<u>11,563,120</u>	<u>3,867,595</u>	<u>51,505,393</u>	<u>326,182</u>
			383,582
75,639	15,086	119,437	54,231
872,866	392,087	3,249,445	695,974
262,000	162,700	1,173,200	330,700
(1,494,789)		(7,836,154)	(71,490)
		(80,602)	
62,777		62,777	215,691
<u>175,371</u>	<u>43,907</u>	<u>227,789</u>	
<u>(46,136)</u>	<u>613,780</u>	<u>(3,084,108)</u>	<u>1,608,688</u>
11,516,984	4,481,375	48,421,285	1,934,870
1,716,130	1,394,785	6,762,985	134,304
8,463	250,000	258,463	1,347,296
<u>(5,798,159)</u>	<u>(2,371,110)</u>	<u>(18,877,468)</u>	<u>(368,887)</u>
7,443,418	3,755,050	36,565,265	3,047,583
<u>135,734,157</u>	<u>96,133,918</u>		<u>41,948,994</u>
<u>\$ 143,177,575</u>	<u>\$ 99,888,968</u>		<u>\$ 44,996,577</u>
		<u>(28,506)</u>	
		<u>\$ 36,536,759</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 5,468,534	\$ 152,988,275	\$ 11,720,719
Cash received from other City funds	51,393	5,826,940	181,024
Cash received from employees			
Cash paid to employees	(544,193)	(19,315,052)	(2,460,194)
Cash paid to suppliers	(3,318,847)	(104,411,308)	(5,351,426)
Service territory acquisition		(188,312)	
Other income	19,520		
Net Cash Provided By Operating Activities	<u>1,676,407</u>	<u>34,900,543</u>	<u>4,090,123</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues	28,712		
Transfers in			
Transfers out	(1,954,149)	(8,378,166)	(384,890)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(1,925,437)</u>	<u>(8,378,166)</u>	<u>(384,890)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from the sale of property			
Proceeds from issuance of bonds			
Principal payments on bonds		(6,015,000)	
Interest and fiscal charges		(8,080,100)	
Repayment of developer agreements			
Capital contributions received		2,362,672	
Acquisition of capital assets	(887,558)	(15,285,289)	(2,481,565)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(887,558)</u>	<u>(27,017,717)</u>	<u>(2,481,565)</u>
Cash Flows From Investing Activities:			
Investment income	251,018	2,179,639	222,567
Net increase (decrease) in investments	847,500	338,355	(979,100)
Net Cash Provided By (Used In) Investing Activities	<u>1,098,518</u>	<u>2,517,994</u>	<u>(756,533)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(38,070)	2,022,654	467,135
Cash and Cash Equivalents, Beginning of Year	<u>409,852</u>	<u>15,627,498</u>	<u>1,715,107</u>
Cash and Cash Equivalents, End of Year	<u>\$ 371,782</u>	<u>\$ 17,650,152</u>	<u>\$ 2,182,242</u>
Classified As:			
Cash and Cash Equivalents	\$ 257,234	\$ 16,475,623	\$ 2,182,242
Restricted and Reserved Cash	114,548	1,174,529	
Total Cash and Cash Equivalents, End of Year	<u>\$ 371,782</u>	<u>\$ 17,650,152</u>	<u>\$ 2,182,242</u>

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 28,307,858	\$ 8,481,415	\$ 206,966,801	\$
65,464	424,390	6,549,211	29,727,093
(4,810,184)	(719,936)	(27,849,559)	2,009,265
(6,651,327)	(2,804,426)	(122,537,334)	(24,703,173)
		(188,312)	
175,371	43,907	238,798	
<u>17,087,182</u>	<u>5,425,350</u>	<u>63,179,605</u>	<u>7,033,185</u>
			377,803
75,639	15,086	119,437	54,231
8,463	250,000	258,463	1,347,296
<u>(5,798,159)</u>	<u>(2,371,110)</u>	<u>(18,886,474)</u>	<u>(368,887)</u>
<u>(5,714,057)</u>	<u>(2,106,024)</u>	<u>(18,508,574)</u>	<u>1,410,443</u>
62,777		62,777	279,108
23,380,000		23,380,000	
(16,535,000)		(22,550,000)	(50,000)
(264,665)	(404)	(8,345,169)	(107,735)
	(28,788)	(28,788)	
		2,362,672	
<u>(464,663)</u>	<u>(2,097,991)</u>	<u>(21,217,066)</u>	<u>(2,459,686)</u>
<u>6,178,449</u>	<u>(2,127,183)</u>	<u>(26,335,574)</u>	<u>(2,338,313)</u>
949,283	398,936	4,001,443	684,765
7,086,900	(1,380,700)	5,912,955	(7,140,200)
<u>8,036,183</u>	<u>(981,764)</u>	<u>9,914,398</u>	<u>(6,455,435)</u>
25,587,757	210,379	28,249,855	(350,120)
229,317	207,753	18,189,527	1,700,840
<u>\$ 25,817,074</u>	<u>\$ 418,132</u>	<u>\$ 46,439,382</u>	<u>\$ 1,350,720</u>
\$ 84,944	\$ 418,132	\$ 19,418,175	\$ 1,350,720
25,732,130		27,021,207	
<u>\$ 25,817,074</u>	<u>\$ 418,132</u>	<u>\$ 46,439,382</u>	<u>\$ 1,350,720</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2020

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	\$ 339,568	\$ 34,192,773	\$ 1,542,337
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation and amortization expense	1,387,982	14,958,993	2,745,455
Other income	19,520		
Service territory payments		(188,312)	
Bad debts		720,154	27,420
(Increase) Decrease In:			
Accounts receivables and accrued utility revenues	104,727	(5,536,702)	(245,859)
Inventory		(131,348)	(4,066)
Due from other funds			
Due from other governmental units			
Advances due from other funds			
Prepaid items			(49,191)
Deferred outflows from pension activity	(7,424)	(214,494)	(46,118)
Deferred outflows from OPEB activity			
Other assets		(601,477)	
Increase (Decrease) In:			
Accounts and contracts payable, operations	(215,410)	(1,241,708)	31,721
Deposits payable	(289)	75,186	725
Accrued expenses and other liabilities	22,200		
Post employment benefit obligations			
Deferred inflows from pension activity	(32,693)	(1,906,528)	(218,735)
Net pension liability	82,190	1,701,366	246,867
Unearned revenues		(6,844,682)	59,567
Solar choice deferred inflow		(46,258)	
Deferred lease revenue		(36,420)	
Accrued claims			
Due to other funds	47		
Due to other governmental units	(24,011)		
Net Cash Provided By Operating Activities	\$ 1,676,407	\$ 34,900,543	\$ 4,090,123
Non Cash Transactions:			
Increase in fair value of investments	\$ 92,000	\$ 641,500	\$ 15,000
Amortization of bond premiums, discounts, and refunding		(1,746,935)	
Amortization of bond issue costs		80,602	
Receipt of contributed property		6,000	1,283,398
Capital assets in accounts payable at year end			

See Notes to the Financial Statements

Enterprise Funds			Governmental Activities- Internal Service Funds
Sewer Utility Fund	Storm Water Utility Fund	Total	
\$ 11,563,120	\$ 3,867,595	\$ 51,505,393	\$ 326,182
5,922,906	1,778,462	26,793,798	3,506,462
175,371	43,907	238,798	
		(188,312)	
		747,574	
(7,693)	(25,252)	(5,710,779)	9,097
(968)		(136,382)	
(21,037)	(68,077)	(89,114)	
(192,591)	(78,523)	(271,114)	(16,221)
			1,573,198
		(49,191)	
(83,101)	(30,526)	(381,663)	
			(2,471,349)
1,484		(599,993)	
(606,199)	(213,068)	(2,244,664)	589,100
(4,610)		71,012	(2,206)
52,394	28,036	102,630	
			3,540,855
(347,212)	(26,754)	(2,531,922)	(42,469)
642,964	141,207	2,814,594	
		(6,785,115)	6,097
		(46,258)	
		(36,420)	
			12,536
(5,482)	8,904	3,469	
(2,164)	(561)	(26,736)	1,903
<u>\$ 17,087,182</u>	<u>\$ 5,425,350</u>	<u>\$ 63,179,605</u>	<u>\$ 7,033,185</u>
\$ 262,000	\$ 162,700	\$ 1,173,200	\$ 316,500
		(1,746,935)	
		80,602	
1,716,130	1,394,785	4,400,313	134,304
			466,231

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 2020 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, 2020 are available from the DMCC.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020

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, 2020

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, data processing equipment, and fleet management services provided to other departments of the City on a cost reimbursement basis.

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020

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 5.0% to 7.5%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are carried net of an allowance for uncollectible assessments estimated at 3.0% of the outstanding balance. The net amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has 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, 2020

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 of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has received advance payments on leases, deferred inflows from pension activity and solar choice, and an unamortized amount on refunding that qualifies for reporting in this category. The lease revenues are being recognized ratably over the lease term.

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 2019 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 2020, \$246,000 of the potential refund became ineligible for refund as the load requirement was not met and, as of December 31, 2020, \$1,722,000 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 described in Note 4C under Contingent Liabilities, the Electric Utility is engaged in an administrative hearing before the Federal Energy Regulatory Commission (FERC) involving the recovery of RPU's Annual Transmission Revenue Requirement from transmission customers in the Midcontinent Independent System Operator, Inc. (MISO) region. During 2018, FERC issued an order affirming the administrative law judge's 2017 ruling that RPU was entitled to recovery of its revenue requirement related to its investment in MISO Zone 16. FERC's order was subject to a possible appeal, and all related payments MISO had made to RPU until the final determination were recorded as unearned revenue. In 2020, the case was resolved in RPU's favor, at which time the entire amount was recognized as revenue.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (continued)

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

11. Unearned revenues (Continued)

As of December 31, 2020, customers had paid the Electric Utility \$55,751 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.

12. Fund equity

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

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

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

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

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

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

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

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

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Fund equity (continued)

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

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

E. 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. Accounting Pronouncements Issued But Not Yet Implemented

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments. This Statement is effective for the City for the year ending December 31, 2022. The impact of the adoption of this pronouncement has not yet been determined.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 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, 2020

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, 2020 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, 2020

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, 2020**

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, 2020, including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2020 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	\$ 21,036,736	3.70	AAA/AA-/AA	Aaa/Aa1/Aa2
4M Money Market Fund	64,076,591	N/A	N/A	N/A
US Government and Agency Securities:				
Federal Farm Credit Bank	46,313,618	3.48	N/A	N/A
Federal Home Loan Bank	59,138,325	3.25	N/A	N/A
Federal Home Loan Mortgage Corporation	58,591,270	2.82	N/A	N/A
Federal National Mortgage Association	59,620,550	2.87	N/A	N/A
Treasury Note	<u>158,143,033</u>	3.18	N/A	N/A
Sub-total Investments	466,920,123			
Cash and Deposits	<u>42,174,437</u>			
Total	<u>\$ 509,094,560</u>			

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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.

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
4M Money Market Fund	Money Market Funds	\$ 64,076,591
Federal Farm Credit Bank	Federal Agency Securities	46,313,618
Federal Home Loan Bank	Federal Agency Securities	59,138,325
Federal Home Loan Mortgage Corporation	Federal Agency Securities	58,591,270
Federal National Mortgage Association	Federal Agency Securities	59,620,550
Treasury Note	United States Treasury Securities	158,143,033

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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, 2020 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	\$ 27,160,289
Investments	420,302,728
Restricted cash	15,014,148
Restricted investments	<u>46,617,395</u>
Total Cash and Investments	<u>\$ 509,094,560</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: 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, 2020**

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, 2020 were as follows:

	At December 31, 2020			
	Fair Value Hierarchy Level			Total
	Level 1	Level 2	Level 3	
Municipal Bonds	\$	\$ 21,036,736	\$	\$ 21,036,736
US Government and Agency Securities:				
Federal Farm Credit Bank		46,313,618		46,313,618
Federal Home Loan Bank		59,138,325		59,138,325
Federal Home Loan Mortgage Corporation		58,591,270		58,591,270
Federal National Mortgage Association		59,620,550		59,620,550
Treasury Note		158,143,033		158,143,033
Investments measured at amortized cost				64,076,591
Total	\$	\$ 402,843,532	\$	\$ 466,920,123

B. Land Held for Resale

In 2009, 2011, 2012, 2014, and 2016 the City acquired parcels of land from private parties for a total purchase price of \$2,270,000. The City intends to resell these properties in connection with the expansion of the University of Minnesota Rochester Campus and for private development. In 2014 and 2017, the City sold certain parcels of land with a cost basis totaling \$895,000 and \$750,000, respectively. 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, 2020.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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, 2020 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 694,178	\$3,115,485	\$ 1,302	\$ 3,810,965
Special Revenue	1,710,937	13,545	937,124	49,148	2,710,754
Capital Project	3,146,996	7,216,719	852,661	94,928	11,311,304
Debt Service			144,597		144,597
Enterprise		683	4,113	280,574	285,370
Internal Service			17,786		17,786
Totals	<u>\$4,857,933</u>	<u>\$ 7,925,125</u>	<u>\$5,071,766</u>	<u>\$ 425,952</u>	<u>\$18,280,776</u>

Amounts due to other governmental units as of December 31, 2020 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 37,929	\$ 86,360	\$	\$ 124,289
Special Revenue	6,649	3,709,613	292,785	3,800	4,012,847
Capital Project		392	34	34	460
Debt Service			80		80
Enterprise		16,681	8,517		25,198
Internal Service		5,683			5,683
Totals	<u>\$ 6,649</u>	<u>\$ 3,770,298</u>	<u>\$ 387,776</u>	<u>\$ 3,834</u>	<u>\$ 4,168,557</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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, 2020 are as follows:

Restricted Cash and Investments -

General Fund

Civic Music Endowment:	
Rochester Area Foundation Endowment	\$ 42,849

Capital Improvement Fund

Construction of DSIC building	3,138,393
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Nonmajor Fund

2020C Refunding Bond Fund	18,473,259
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Enterprise Funds:

Parking Fund:	
Bioscience Building Debt Service	114,548

Electric Fund:	
Debt Service	1,174,529
Debt Service Reserve Accounts	12,955,835

Sewer Fund:	
Debt Service	<u>25,732,130</u>

Total	<u>\$ 61,631,543</u>
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 75,575,149	\$ 485,263	\$ 85,350	\$ 75,975,062
Construction in progress	31,907,230	50,206,238	31,282,000	50,831,468
Total capital assets, not being depreciated	<u>107,482,379</u>	<u>50,691,501</u>	<u>31,367,350</u>	<u>126,806,530</u>
Capital assets, being depreciated:				
Buildings	372,258,140	21,825,467	247,902	393,835,705
Improvements other than buildings	55,477,954	432,851	7,266	55,903,539
Infrastructure	544,850,984	6,187,765		551,038,749
Machinery and equipment	109,635,756	4,875,071	806,367	113,704,460
Total capital assets, being depreciated	<u>1,082,222,834</u>	<u>33,321,154</u>	<u>1,061,535</u>	<u>1,114,482,453</u>
Less accumulated depreciation for:				
Buildings	108,241,649	9,297,938	214,953	117,324,634
Improvements other than buildings	29,128,728	1,713,206	7,266	30,834,668
Infrastructure	196,334,737	12,547,500		208,882,237
Machinery and equipment	71,886,258	6,976,742	806,367	78,056,633
Total accumulated depreciation	<u>405,591,372</u>	<u>30,535,386</u>	<u>1,028,586</u>	<u>435,098,172</u>
Total capital assets, being depreciated, net	<u>676,631,462</u>	<u>2,785,768</u>	<u>32,949</u>	<u>679,384,281</u>
Governmental activities capital assets, net	<u>\$ 784,113,841</u>	<u>\$ 53,477,269</u>	<u>\$ 31,400,299</u>	<u>\$ 806,190,811</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2020 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 22,485,642	\$ 740	\$	\$ 22,486,382
Construction in progress	55,418,223	16,993,744	39,844,128	32,567,839
Total capital assets, not being depreciated	<u>77,903,865</u>	<u>16,994,484</u>	<u>39,844,128</u>	<u>55,054,221</u>
Capital assets, being depreciated:				
Buildings and improvements	500,004,349	38,341,128		538,345,477
Machinery and equipment	603,077,147	11,409,002	1,122,872	613,363,277
Total capital assets, being depreciated	<u>1,103,081,496</u>	<u>49,750,130</u>	<u>1,122,872</u>	<u>1,151,708,754</u>
Less accumulated depreciation for:				
Buildings and improvements	222,530,190	10,203,423		232,733,613
Machinery and equipment	286,242,012	16,147,104	711,183	301,677,933
Total accumulated depreciation	<u>508,772,202</u>	<u>26,350,527</u>	<u>711,183</u>	<u>534,411,546</u>
Total capital assets, being depreciated, net	<u>594,309,294</u>	<u>23,399,603</u>	<u>411,689</u>	<u>617,297,208</u>
Business-type activities capital assets, net	<u>\$ 672,213,159</u>	<u>\$ 40,394,087</u>	<u>\$ 40,255,817</u>	<u>\$ 672,351,429</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation expense for the year ended December 31, 2020 was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 619,400
Public safety	2,960,584
Public works	11,689,922
Airport operations	2,215,722
Transit	1,684,567
Culture	1,125,088
Park and recreation/Mayo Civic Center	5,951,323
Economic development/tourism	782,318
Subtotal	27,028,924
Internal Service Funds:	
Equipment revolving	3,209,670
Information technology	296,792
	3,506,462

Total depreciation expense - governmental activities	\$ 30,535,386
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Business-Type Activities:

Parking	\$ 1,387,982
Electric utility	14,515,722
Water utility	2,745,455
Sewer utility	5,922,906
Storm water utility	1,778,462
	26,350,527

Total depreciation expense - business type activities	\$ 26,350,527
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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, 2020, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,181,063	\$ 598,082
Capital Improvement	993,310	359,583
Subtotal	2,174,373	957,665
Non-Major Governmental Funds:		
Special Revenue -		
Library		6,490
Municipal Recreation System		50,741
Airport Operations		31,691
Transit		382
Community Development Projects		285,208
DMCC	62,843	76,000
Debt Service -		
2020C GO Refunding Bond		56,786
Subtotal	62,843	507,298
Total Governmental Funds	2,237,216	1,464,963
Proprietary Funds:		
Enterprise -		
Parking		522
Electric Utility		2,827,807
Water Utility		972,210
Sewer Utility	2,552,134	197,329
Storm Water Utility	733,767	60,286
Total Proprietary Funds	3,285,901	4,058,154
Total All Funds	\$ 5,523,117	\$ 5,523,117

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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, 2020, at the individual fund level are summarized below:

Funds	Advanced To Other Funds	Advanced From Other Funds
Governmental Funds:		
Capital Improvement	\$	\$ 5,457,780
Economic Development Authority Bond		2,200,000
Proprietary Fund:		
Parking	2,200,000	
Internal Service Fund:		
Self-Insurance	5,457,780	
Total All Funds	\$ 7,657,780	\$ 7,657,780

Transfers during the year ended December 31, 2020 were as follows:

Funds	Transfers In	Transfers Out
General	\$ 12,492,900	\$ 6,061,289
Capital Improvement	11,931,838	9,314,630
Other Governmental Funds		
Municipal Recreation System	51,100	304,664
Airport Operations	182,264	
Mayo Civic Center		360,815
Transit	4,136	604,000
Minnesota Bio Science Center		926,416
DMCC	2,349,677	
TIF Revenue Bond	1,455,132	
Economic Development Authority Bond	1,157,334	
Lodging Tax Revenue Bond	2,866,588	
GO Variable Rate Sales Tax Bond	2,952,358	
Lease Revenue 2020A Bond		230,917
Subtotal Other Governmental Funds	11,018,589	2,426,812
Subtotal Governmental Funds	35,443,327	17,802,731
Enterprise	258,463	18,877,468
Internal Service	1,347,296	368,887
Totals	\$ 37,049,086	\$ 37,049,086

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

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

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

Governmental Funds:	
Transfer in	\$ 35,443,327
Transfers out	(17,802,731)
Internal Service Funds:	
Transfer in	1,347,296
Transfers out	(368,887)
Capital assets transferred from Govt- activities to Business-type activities	(1,973,221)
Government-wide Statement of Activities - Transfers in/out	\$ 16,645,784

G. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Expenditures under these operating leases for the year ended December 31, 2020 totaled \$568,710.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2020, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/20
General Obligation Bonds:				
GO Taxable Tax Increment Bonds				
District 36, Series 2009A	\$ 8,035,000	5.1-5.5%	2025	\$ 1,740,000
GO Tax Increment Revenue				
Bond Series 2017B	21,265,000	2.0-5.0%	2038	19,980,000
GO Lodging Tax Revenue Bonds:				
Bonds, Series 2015A	42,795,000	2.5-5.0%	2035	36,710,000
GO Revenue Bonds:				
Revenue Crossover Refunding Bonds, Series 2012A	60,840,000	4.0-5.0%	2026	36,175,000
Revenue Crossover Refunding Bonds, Series 2015B	19,805,000	5.0%	2026	12,965,000
Revenue Refunding Bonds, Series 2020B	23,380,000	4.0%	2026	23,380,000
GO Taxable Build America Bonds:				
Direct Pay, Series 2010A - Public Works	26,275,000	3.75-5.15%	2036	19,325,000
GO Variable Rate Sales Tax Revenue				
Bonds, Series 2015C	40,880,000	Variable	2025	30,305,000
GO Taxable Refunding Bonds, Series 2020C	16,460,000	1.25-5.0%	2036	16,460,000
GO Equipment Certificates of Indebtedness, Series 2018A	2,225,000	3.25%	2028	2,190,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2013B	38,370,000	3.0-5.0%	2043	33,995,000
Bonds, Series 2015E	39,970,000	3.0-5.0%	2030	31,690,000
Bonds, Series 2017A	108,255,000	2.0-5.0%	2047	99,480,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	5,332,000
Lease Bonds, Series 2008	6,700,000	4.71%	2033	3,612,000
Lease Bonds, Series 2020A	20,300,000	2.0-5.0%	2040	20,300,000
Compensated Absences				16,973,102
Less: Unamortized premium				33,526,375
Total Long-term Debt				<u>\$ 444,138,477</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, mayo civic center, and municipal recreation funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. 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 2012, the Sewer Utility issued \$60,840,000 of General Obligation Wastewater Revenue Crossover Refunding Bonds to refinance the 2004A Wastewater Revenue Bonds. In 2015, the Sewer Utility issued \$19,805,000 of General Obligation Wastewater Revenue Refunding Bonds to refinance the 2007A Wastewater Revenue Bonds and \$14,156,000 of General Obligation Variable Rate Wastewater Revenue Refunding Bonds to refinance the 2007B Variable Rate Demand 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, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. 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. The 2009B certificate matured in 2019.

General Obligation Taxable Build America Bonds

In 2010, the City issued \$26,700,000 of General Obligation Taxable Build America Bonds, Series 2010A. Of the issue, \$26,275,000 was used to construct a combined Public Works/Mass Transit Operations and Maintenance Center and \$425,000 was used to purchase a new fire truck for the City's Equipment Revolving Internal Service Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the totals for governmental activities. General tax levy will provide the resources for the bond repayment. The bonds are backed by the full faith, credit, and taxing power of the City. City interest payable on these bonds is reimbursed to the City through a federal grant. In 2020, the City issued \$16,460,000 of General Obligation Taxable Bonds to refinance the 2010A General Obligation Taxable Build America Bonds.

Bond Indentures

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2020:

	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	\$ 2,040,000	\$	\$ 300,000	\$ 1,740,000	\$ 315,000
GO Tax Increment Revenue Bond Series 2017B	20,715,000		735,000	19,980,000	775,000
GO Lodging Tax Revenue Bonds, Series 2015A	38,090,000		1,380,000	36,710,000	1,510,000
GO Taxable Build America Bonds Direct Pay, Series 2010A - Public Works	20,250,000		925,000	19,325,000	950,000
Direct Pay, Series 2010A - Equipment	50,000		50,000		(1)
GO Taxable Refunding Bonds Series 2020C		16,460,000		16,460,000	
GO Variable Rate Sales Tax Revenue Bonds, Series 2015C	32,870,000		2,565,000	30,305,000	2,645,000
GO Equipment Certificates of Indebtedness, Series 2018A	2,225,000		35,000	2,190,000	(1) 245,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	5,624,000		292,000	5,332,000	308,000
REDA Lease Revenue Bonds, Series 2008	3,812,000		200,000	3,612,000	208,000
REDA Lease Revenue Bonds, Series 2020A		20,300,000		20,300,000	765,000
Plus: Unamortized Premium on Bonds	3,896,460	4,055,124	344,098	7,607,486	
Other Liabilities:					
Compensated Absences	11,520,847	6,962,569	6,180,202	12,303,214	7,270,000
Governmental Activities Long-term Liabilities	<u>141,093,307</u>	<u>47,777,693</u>	<u>13,006,300</u>	<u>175,864,700</u>	<u>14,991,000</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant					
Revenue Crossover Refunding Series 04A Bonds, Series 2012A	41,590,000		5,415,000	36,175,000	5,650,000
Revenue Crossover Refunding Bonds, Series 2015B	14,800,000		1,835,000	12,965,000	1,920,000
Revenue Refunding Bonds, Series 2015D	9,285,000		9,285,000		
Revenue Refunding Bonds, Series 2020B		23,380,000		23,380,000	
Revenue Bonds:					
Electric Utility Revenue Bonds - Series 2013B	34,800,000		805,000	33,995,000	845,000
Electric Utility Revenue Refunding Bonds- Series 2015E	34,180,000		2,490,000	31,690,000	2,615,000
Electric Utility Revenue Bonds- Series 2017A	102,200,000		2,720,000	99,480,000	2,855,000
Plus: Unamortized Premium	26,604,946	2,777,013	3,463,070	25,918,889	
Other Liabilities:					
Compensated Absences	4,287,117	918,925	536,154	4,669,888	2,662,613
Business-type Activities Long-term Liabilities	<u>267,747,063</u>	<u>27,075,938</u>	<u>26,549,224</u>	<u>268,273,777</u>	<u>16,547,613</u>
Total	<u>\$ 408,840,370</u>	<u>\$ 74,853,631</u>	<u>\$ 39,555,524</u>	<u>\$ 444,138,477</u>	<u>\$ 31,538,613</u>

(1) Debt recorded in the internal service funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. 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 interest method. As of December 31, 2020, the balance totaled \$1,320,046.

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2020, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Revenue		Revenue Bonds	
	Principal	Interest *	Principal	Interest
<u>Governmental Activities</u>				
2021	\$ 6,440,000	\$ 3,760,190	\$ 1,281,000	\$ 1,076,493
2022	7,390,000	3,687,337	1,231,000	1,015,250
2023	7,885,000	3,434,884	1,294,000	953,753
2024	8,270,000	3,164,085	1,357,000	889,188
2025	24,940,000	2,775,174	1,416,000	821,650
2026-2030	30,050,000	10,155,327	8,209,000	2,993,186
2031-2035	34,660,000	4,252,811	8,151,000	1,214,791
2036-2040	7,075,000	246,848	6,305,000	337,406
Totals	<u>\$ 126,710,000</u>	<u>\$ 31,476,655</u>	<u>\$ 29,244,000</u>	<u>\$ 9,301,717</u>
	General Obligation Revenue		Utility Revenue Bonds	
	Bonds Principal	Interest	Principal	Interest
<u>Business-Type Activities</u>				
2021	\$ 7,570,000	\$ 3,130,350	\$ 6,315,000	\$ 7,779,350
2022	7,900,000	2,745,850	6,625,000	7,472,050
2023	14,165,000	2,225,750	6,955,000	7,140,800
2024	14,755,000	1,565,825	7,310,000	6,793,050
2025	15,105,000	916,850	7,605,000	6,488,150
2026-2030	13,025,000	333,850	43,340,000	27,140,800
2031-2035			21,115,000	19,332,050
2036-2040			26,605,000	13,829,350
2041-2045			28,810,000	6,728,250
2046-2047			10,485,000	792,750
Totals	<u>\$ 72,520,000</u>	<u>\$ 10,918,475</u>	<u>\$ 165,165,000</u>	<u>\$ 103,496,600</u>

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2020.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2020, the City had not utilized \$253,395,210 of its net legal debt margin.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

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 \$2,718,608,988 and the balance outstanding at December 31, 2020 totals \$2,500,270,963.

Bond Refundings

In 2020, the Sewer Utility issued \$23,380,000 of General Obligation Revenue Refunding Bonds, Series 2020B. The bond was issued to refund the General Obligation Revenue Crossover Refunding Series 04A Bonds, Series 2012A. The refunding resulted in an effective interest rate of 1.147% including issuance costs and a cash flow savings of \$1,581,600. The economic gain is \$1,506,114, or approximately \$251,000 per year for the remaining six years the 2020B Bonds will be outstanding.

In 2020, the City issued \$16,460,000 of General Obligation Taxable Refunding Bonds, Series 2020C. The bond was issued to refund the General Obligation Taxable Build America Bonds, Series 2010A. The refunding resulted in an effective interest rate of 3.014% including issuance costs and a cash flow savings of \$3,061,345. The economic gain is \$2,418,290, or approximately \$161,000 per year for the remaining fifteen years the 2020C Bonds will be outstanding.

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 Series 04A Bonds, Series 2012A	Refund 2004A issue	Utility Revenue	100%	2012 - 2026	\$ 41,041,125	\$ 7,238,525	\$ 7,238,525
Revenue Crossover Refunding Bonds, Series 2015B	Refund 2007A issue	Utility Revenue	100%	2015 - 2026	15,324,750	2,575,000	2,575,000
Revenue Refunding Bonds, Series 2015D	Refund 2007B issue	Utility Revenue	100%	2015 - 2020	*	9,395,063	9,395,063
Revenue Refunding Bonds, Series 2020B	Refund 2012A issue	Utility Revenue	100%	2020 - 2026	27,072,600	314,331	314,331
Revenue Bonds:							
REDA Lease Revenue Bonds, Series 2007	Bio Science building	Lease Revenue	100%	2007 - 2033	7,120,727	549,466	549,466
REDA Lease Revenue Bonds, Series 2008	Bio Science building	Lease Revenue	100%	2008 - 2033	4,826,709	374,835	374,835
REDA Lease Revenue Bonds, Series 2020A	DSIC building	Lease Revenue	100%	2020 - 2040	26,598,281	230,917	230,917
Electric Utility Revenue Bonds -							
Series 2013B	Southwest Metro to Rochester to La Crosse transmission line project	Utility Revenue	100%	2013 - 2043	56,368,950	2,451,100	2,451,100
Electric Utility Revenue Refunding Bonds-							
Series 2015E	Advance refund a portion of 2007C issue	Utility Revenue	100%	2015 - 2030	38,153,650	3,814,000	3,814,000
Electric Utility Revenue Bonds-							
Series 2017A	Finance Westside Energy Station, and Electric substation and improvements	Utility Revenue	100%	2017 - 2047	174,139,000	7,830,000	7,830,000

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2020.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

I. 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, 2020, the most recent valuation date, there were 896 active participants, 285 retirees receiving benefits, and 15 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.

B. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2020 and was determined by an actuarial valuation as of that date. The components of the total OPEB liability of the City at year-end were as follows:

Total OPEB liability	<u>\$ 14,615,838</u>
Covered payroll	<u>\$ 77,502,833</u>
Total OPEB liability as a % of payroll	<u>19%</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

C. Funded Status and Funding Progress

As of January 1, 2020, the most recent measurement date, the actuarial accrued liability for benefits was \$14,615,838 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$77,502,833 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19 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, 2020 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, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

D. Methods and Assumptions (continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.90%
20-year Municipal Bond Yield	2.90%
Inflation rate	2.50%
Mortality	Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
Medical trend rate	6.50% as of January 1, 2020 grading to 5.00% over 6 years and then 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.

E. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2020	\$ 11,074,983
Changes for the year:	
Service cost	857,266
Interest	443,785
Assumption changes	1,572,227
Differences between expected and actual experience	1,179,725
Benefit payments	(512,148)
Net Changes	<u>3,540,855</u>
Balance End of Year 12/31/2020	<u>\$ 14,615,838</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

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 (1.90%)	\$ 15,999,330
Current Discount Rate (2.90%)	14,615,838
1% increase in Discount Rate (3.90%)	13,391,454

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	\$ 13,054,031
Current Trend Rates	14,615,838
1% increase in Trend Rates	16,445,189

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

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

As of the year ended December 31, 2020, 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	\$ 1,375,698	\$ 254,810
Liability losses	1,032,259	
Contributions paid to OPEB subsequent to the measurement date	575,540	
	\$ 2,983,497	\$ 254,810

Contributions subsequent to the measurement date of \$575,540 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. 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
2021	\$ 301,526
2022	301,526
2023	301,526
2024	301,526
2025	301,526
Thereafter	645,517

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 3: Detailed Notes on All Funds (continued)

J. Governmental Fund Balance Classifications

The City's governmental fund balances as of December 31, 2020 were classified as follows:

	General Fund	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid Items	\$ 17,526	\$	\$ 202,740	\$ 220,266
Inventory	1,145,829		15,415	1,161,244
Total Nonspendable	<u>1,163,355</u>		<u>218,155</u>	<u>1,381,510</u>
<u>Restricted for:</u>				
Civic Music Endowment	42,849			42,849
Flood Control		14,330,197		14,330,197
Economic Development Loans		263,885		263,885
Park and Recreation		110,771		110,771
Tax Increment Financing		3,155,288		3,155,288
Sales Tax Authorized Projects		38,991,268		38,991,268
Destination Medical Center		25,100,346		25,100,346
Airport Operations			7,741,572	7,741,572
Children's Playgrounds			706,090	706,090
Debt Service			21,414,301	21,414,301
Total Restricted	<u>42,849</u>	<u>81,951,755</u>	<u>29,861,963</u>	<u>111,856,567</u>
<u>Committed to:</u>				
Capital Improvement		85,976,443		85,976,443
Total Committed		<u>85,976,443</u>		<u>85,976,443</u>
<u>Assigned to:</u>				
Subsequent Years Budgets	326,836			326,836
Encumbrances	1,874,390			1,874,390
Library Operations			3,417,188	3,417,188
Parks and Recreation			2,640,428	2,640,428
Mayo Civic Center			1,156,104	1,156,104
Transit			5,452,741	5,452,741
Minnesota Bio Science Center			1,390,511	1,390,511
Total Assigned	<u>2,201,226</u>		<u>14,056,972</u>	<u>16,258,198</u>
<u>Unassigned</u>	<u>39,511,388</u>		<u>(2,327,488)</u>	<u>37,183,900</u>
Total Fund Balances	<u>\$ 42,918,818</u>	<u>\$ 167,928,198</u>	<u>\$ 41,809,602</u>	<u>\$ 252,656,618</u>

Encumbrances are valid and executed contracts for equipment purchases as of December 31, 2020 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, 2020**

NOTE 3: Detailed Notes on All Funds (continued)

K. Restricted Net Position

Governmental Activities	Restricted Net Position Imposed By			
	Grantors	Donors	Debt Service	Legally Enforceable
<u>Major Governmental Funds:</u>				
General Fund:				
Civic Music Endowment	\$	\$ 42,849	\$	\$
Capital Improvement Fund:				
Flood Control				14,330,197
Economic Development Loans	263,885			
Park and Recreation		110,771		
Tax Increment Financing				3,155,288
Sales Tax Authorized Projects				38,991,268
<u>Nonmajor Governmental Funds:</u>				
Special Revenue Funds:				
Children's Playgrounds	706,090			
CDBG Loans	3,975,072			
Airport Operations				7,741,572
Debt Service Funds:				
Debt Service			21,414,301	
Total Governmental Restricted Net Position	4,945,047	153,620	21,414,301	64,218,325
Business-Type Activities				
Debt Service			526,250	
Total Business-Type Restricted Net Position			526,250	
Total Government Wide Restricted Net Position	\$ 4,945,047	\$ 153,620	\$ 21,940,551	\$ 64,218,325

L. Deficit Fund Balance

Special Revenue Fund:		
Community Development Projects		\$ 32,682
Economic Development Authority Bond		2,092,975

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

M. Excess Expenditures over Appropriations

At December 31, 2020, excess of expenditures over appropriations, all the result of a planned process, were as follows:

Special Revenue Funds	Expenditures	Appropriation	Excess
Mayo Civic Center	\$ 380,663	\$	\$ 380,663
Airport Operations Fund	4,214,941	4,153,096	61,845

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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 \$315,000 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 \$300,000 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.

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$2,481,079 reported in the Fund at December 31, 2020 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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

Changes in the Fund's claims liability amount during the years ended December 31, 2020 and 2019 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2020	\$ 2,468,543	\$ 20,585,044	\$ (20,572,508)	\$ 2,481,079
2019	2,856,439	19,295,632	(19,683,528)	2,468,543

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 energy and operating reserves market for the Cascade Creek combustion turbines and Westside Energy Station reciprocating engines.

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 14.61 mills (tenths of a cent) per kWh to 26.38 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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

B. Commitments (continued)

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 1,149,203,068 kilowatt hours totaling \$84,591,296 from SMMPA during the year ended December 31, 2020.

In October of 2020, RPU recorded as operating revenue a \$4,267,058 distribution of general operating reserves from Southern Minnesota Municipal Power Agency. The payment was received in January 2021.

The Utility leases a portion of its electrical transmission system, known as the North Loop, to SMMPA under a non-cancelable operating lease through the year 2030. The Utility is responsible for all operating and maintenance costs. The Utility received a lump sum payment of \$1,500,000 in 1989 and annual lease revenues of \$36,420 are being recognized ratably over the lease term.

Central Minnesota Municipal Power Agency

The Electric Utility has an agreement with Central Minnesota Municipal Power Agency (CMMPA) for the purchase of capacity. The remaining contract quantities and prices are as follows:

<u>Planning Year</u>	<u>Megawatts (per month)</u>	<u>Contract Price (\$ per MW)</u>	<u>Purchase Price</u>
June 1, 2020 - May 31, 2021	11	\$ 3,400	\$ 448,800
June 1, 2021 - May 31, 2022	11	\$ 4,000	\$ 528,000

Silver Lake Dam Modification Project

The RPU Board approved a contribution of \$1.24 million towards the Silver Lake Dam Modification Project, contingent on the final project resulting in the removal of the existing dam with no future capital or maintenance expense to RPU ratepayers. The proposed modifications would improve safety and environmental features and provide community enhancements and recreational opportunities.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

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, 2020, the City's commitments with contractors and vendors were as follows:

	<u>Remaining Commitment</u>
General Fund	
Equipment Purchase Commitments*	<u>\$ 1,874,390</u>
Capital Improvement Fund	
Major Street Projects	889,869
Sewer and Water Projects	87,365
Sidewalk Projects	118,531
Storm Water / Storm Sewer Projects	144,306
Flood Control	267,331
Water Reclamation Projects	917,227
Parking Ramp Rehabilitation	317,170
Airport Projects	9,206,660
Mass Transit Garage Expansion	34,309
DSIC and North Station	503,830
Parks Projects - Various	1,339,359
Destination Medical Center	4,772,085
Equipment Purchase Commitments	<u>257,856</u>
Total Capital Improvement Fund	<u>18,855,898</u>
Enterprise Funds	
Electric Projects	3,187,332
Water Projects	293,628
Total Enterprise Funds	<u>3,480,960</u>
Totals	<u><u>\$ 24,211,248</u></u>

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

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.

The Electric Utility was engaged in an administrative hearing before the Federal Energy Regulatory Commission (FERC) involving the recovery of RPU's Annual Transmission Revenue Requirement from transmission customers in the Midcontinent Independent System Operator, Inc. (MISO) region. In April 2020, the FERC affirmed the recovery of RPU's ATRR from the transmission customers in the MISO region. This hearing did not involve a claim or assessment against RPU. The window for appeal of the FERC decision expired in June 2020 and there is no expectation of further litigation in this matter having a materially adverse impact on the financial position of the Electric Utility.

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, 2020, 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 ICMA-RC and Empower Retirement 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, 2020

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, 2020

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. Beginning in 2019, 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. For 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. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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. Beginning in 2019, the postretirement increase will be 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. For 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, 2020

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 2020 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, 2020, were \$4,181,509. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020 were, \$4,141,317. 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, 2020, the City reported a liability of \$46,872,483 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 \$1,445,366. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.7818 percent at the end of the measurement period and 0.7473 percent for the beginning of the period.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

City's proportionate share of the net pension liability	\$46,872,483
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,445,366</u>
Total	<u>\$48,317,849</u>

For the year ended December 31, 2020, the City recognized pension expense of \$1,315,084 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$125,791 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, 2020, 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	\$ 408,495	\$ 177,344
Changes in actuarial assumptions		1,694,268
Difference between projected and actual investment earnings	912,599	
Changes in proportion	1,436,113	367,072
Contributions paid to PERA subsequent to the measurement date	<u>2,092,787</u>	
Total	<u>\$ 4,849,994</u>	<u>\$ 2,238,684</u>

The \$2,092,787 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 ended December 31, 2021. 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
2021	\$ (2,453,110)
2022	474,236
2023	1,364,942
2024	1,132,455

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$27,920,142 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 2.1182 percent at the end of the measurement period and 2.2104 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. 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 fire 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.

As a result, 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 \$4.5 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, 2020, the City recognized pension expense of \$1,346,070 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$202,361 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

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 fire state aid. The City also recognized \$657,748 for the year ended December 31, 2020 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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,255,681	\$ 1,340,802
Changes in actuarial assumptions	9,461,748	18,109,957
Difference between projected and actual investment earnings	745,257	
Changes in proportion	1,389,678	1,356,437
Contributions paid to PERA subsequent to the measurement date	<u>2,181,833</u>	
Total	<u>\$ 15,034,197</u>	<u>\$ 20,807,196</u>

The \$2,181,833 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 ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2021	\$ (2,157,618)
2022	(7,848,517)
2023	1,020,457
2024	1,174,998
2025	(144,152)

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020 was \$2,989,306.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50% per year	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with July 1, 2020 actuarial valuation. The most recent four-year experience study for Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Assumptions (continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

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 ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of 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 Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 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 Fund and the Police and Fire Fund 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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Liability Sensitivity

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

Sensitivity Analysis						
<i>Net Pension Liability at Different Discount Rates</i>						
	General Employees Fund			Police and Fire Fund		
1% Lower	6.50%	\$	75,120,332	6.50%	\$	55,648,863
Current Discount Rate	7.50%	\$	46,872,483	7.50%	\$	27,920,142
1% Higher	8.50%	\$	23,570,277	8.50%	\$	4,979,486

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020

NOTE 6: Tax Abatement Agreements

As of December 31, 2020, 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, 2020, the City had twenty one said Districts in which \$2,513,864 of tax revenue was paid out to developers under these agreements.

NOTE 7: Subsequent Events

On February 10, 2021, RPU closed on the Series 2013B Bond refunding. The City offered \$37,170,000 Taxable Electric Utility Revenue Refunding Bonds, Series 2021A in a competitive bid managed through our financial advisor, Baker Tilly. The proceeds from the sale will be used to pay issuance costs, the outstanding 2013B Bonds when they become callable on December 1, 2023 and fund the required debt service reserve. The refunding resulted in an effective interest rate of 1.995% including issuance costs and a present value savings of \$7,930,704 after deducting the remaining interest costs of the 2013B Bonds until December 1, 2023. The net gain is \$6,641,823, or approximately \$332,000 per year for the remaining twenty years the 2021A Bonds will be outstanding.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 18, 2021, the date the financial statements were available to be issued.

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CITY OF ROCHESTER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

CITY OF ROCHESTER, MINNESOTA
Schedules of City Pension Contributions
December 31, 2020

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%

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%

* 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, 2020

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 (Asset) 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 (Asset) 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%

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 (Asset) 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 (Asset) as a Percentage of its Covered Payroll (a/b)	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%

* 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	2020	2019	2018
Service cost	\$ 857,266	\$ 726,221	\$ 762,822
Interest cost	443,785	371,228	347,995
Assumption changes	1,572,227	(339,748)	
Differences between expected and actual experience	1,179,725		
Benefit payments	(512,148)	(408,344)	(332,645)
Net change in total OPEB liability	3,540,855	349,357	778,172
Total OPEB Liability - beginning of year	11,074,983	10,725,626	9,947,454
Total OPEB Liability - end of year	\$ 14,615,838	\$ 11,074,983	\$ 10,725,626
Covered Payroll	\$ 77,502,833	\$ 72,914,859	\$ 70,791,125
Total OPEB Liability as a % of payroll	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.

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2020

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2020

SPECIAL REVENUE FUNDS

Library Fund:

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

Municipal Recreation System Fund:

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

Mayo Civic Center Fund:

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

Edward Byrne Memorial JAG Fund:

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

Airport Operations Fund:

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

The F.E. Williams Estate Fund:

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

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

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

Community Development Projects Fund:

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

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, 2020

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) for payment of the 2007 Revenue Lease Bond issued by the Rochester Economic Development Authority.

Public Works and Transit Operation Center Bond Fund:

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

Lodging Tax Revenue Bond Fund:

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

GO Variable Rate Sales Tax Bond Fund:

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

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.

CITY OF ROCHESTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Special Revenue							Minnesota Bio Science Center
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	
ASSETS								
Cash and cash equivalents	\$ 69,385	\$ 12,935	\$ 9,823	\$	\$ 99,906	\$ 13,878	\$ 258,014	\$ 12,646
Investments	3,396,400	2,522,600	1,139,900		4,950,100	689,200	12,782,700	627,100
Accrued interest receivable	14,851	13,196	6,381		21,616	3,012	55,812	2,750
Accounts receivable (net of allowance for uncollectibles)	3,354	382,597			2,902,192		28,772	748,386
Loans receivable								
Taxes receivable delinquent	168,395	190,422			12,889		265	
Special assessments receivable delinquent		91,935						
Due from other funds								
Due from other governmental units	331,407	628,998			49,465		1,381,335	
Prepaid items	909							
Restricted cash and investments Inventory		3,860					11,555	
TOTAL ASSETS	\$ 3,984,701	\$ 3,846,543	\$ 1,156,104	\$	\$ 8,036,168	\$ 706,090	\$14,518,453	\$ 1,390,882
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 144,758	\$ 82,572	\$	\$	\$ 25,547	\$	\$ 785,266	\$
Deposits payable		318,888			217,820			
Accrued compensation and payroll taxes	210,969	220,569					10,781	
Due to other funds	6,490	50,741			31,691		382	
Advances from other funds								
Unearned revenue	11,664						4,535,138	
Due to other governmental units	24,328	247,128			6,649		3,722,325	371
Total Liabilities	398,209	919,898			281,707		9,053,892	371
Deferred Inflows of Resources:								
Unavailable revenue:								
Property taxes	168,395	190,422			12,889		265	
Special assessments		91,935						
Loans receivable								
Total Deferred Inflows of Resources	168,395	282,357			12,889		265	
Fund Balance:								
Nonspendable	909	3,860					11,555	
Restricted								
Assigned	3,417,188	2,640,428	1,156,104		7,741,572	706,090	5,452,741	1,390,511
Unassigned								
Total Fund Balance	3,418,097	2,644,288	1,156,104		7,741,572	706,090	5,464,296	1,390,511
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,984,701	\$ 3,846,543	\$ 1,156,104	\$	\$ 8,036,168	\$ 706,090	\$14,518,453	\$ 1,390,882

Community Development Projects		Debt Service								Total Nonmajor Governmental Funds
	DMCC	Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	
\$	\$ 896	\$	\$	\$ 1,468	\$ 1,605,442	\$	\$ 22,223	\$ 1,269,789	\$	\$ 3,376,405
					6,854		93	5,208		26,108,000
	75,000									129,773
3,975,072										4,140,301
					65,147					3,975,072
	62,843									437,118
319,549					144,597					91,935
	96,274			105,557						62,843
									18,473,259	2,855,351
										202,740
										18,473,259
										15,415
<u>\$ 4,294,621</u>	<u>\$ 235,013</u>	<u>\$</u>	<u>\$</u>	<u>\$ 107,025</u>	<u>\$ 1,822,040</u>	<u>\$</u>	<u>\$ 22,316</u>	<u>\$ 1,274,997</u>	<u>\$ 18,473,259</u>	<u>\$ 59,868,212</u>
\$ 54,977	\$ 62,739	\$	\$	\$	\$	\$	\$ 22,038	\$	\$ 34,260	\$ 1,212,157
										536,708
285,208	76,000									442,319
	96,274			2,200,000					56,786	507,298
12,046									80	2,200,000
<u>352,231</u>	<u>235,013</u>			<u>2,200,000</u>			<u>22,038</u>		<u>91,126</u>	<u>4,643,076</u>
										4,012,927
										13,554,485
										437,118
										91,935
<u>3,975,072</u>										<u>3,975,072</u>
<u>3,975,072</u>										<u>4,504,125</u>
	96,274			105,557						218,155
					1,756,893		278	1,274,997	18,382,133	29,861,963
(32,682)	(96,274)			(2,198,532)						14,056,972
<u>(32,682)</u>				<u>(2,092,975)</u>	<u>1,756,893</u>		<u>278</u>	<u>1,274,997</u>	<u>18,382,133</u>	<u>(2,327,488)</u>
										41,809,602
<u>\$ 4,294,621</u>	<u>\$ 235,013</u>	<u>\$</u>	<u>\$</u>	<u>\$ 107,025</u>	<u>\$ 1,822,040</u>	<u>\$</u>	<u>\$ 22,316</u>	<u>\$ 1,274,997</u>	<u>\$ 18,473,259</u>	<u>\$ 59,868,212</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	Special Revenue							
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Minnesota Bio Science Center
REVENUES								
General property taxes	\$ 7,034,528	\$ 8,085,572	\$	\$	\$ 548,657	\$	\$ 39	\$
Tax increment								
Nonproperty tax			230,959					
Intergovernmental revenues	1,282,527	437,134		3,826	1,358,511		9,699,122	
Charges for services	32,964	2,595,340	80,083		1,741,951		1,093,628	
Interest earnings (loss)	33,449	20,968	21,464	(16)	87,848	12,513	204,562	7,713
Net increase in the fair value of investments	27,300	20,200	8,500		37,800	5,200	130,600	2,800
Rental revenues					1,969,991			2,587,617
Miscellaneous revenues	719,499	165,047	31,527	314	9,887		170,481	
Total Revenues	9,130,267	11,324,261	372,533	4,124	5,754,645	17,713	11,298,432	2,598,130
EXPENDITURES								
Culture	8,741,358							
Park and recreation/Mayo Civic Center		11,224,150	380,663					
Airport operations					4,214,941			
Transit							9,732,828	
Economic development/tourism								1,462,506
Debt service								
Total Expenditures	8,741,358	11,224,150	380,663		4,214,941		9,732,828	1,462,506
Excess (deficiency) of revenues over (under) expenditures	388,909	100,111	(8,130)	4,124	1,539,704	17,713	1,565,604	1,135,624
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of bonds								
Premium on issuance of bonds								
Transfers in		51,100			182,264		4,136	
Transfers out		(304,664)	(360,815)				(604,000)	(926,416)
Total Other Financing Sources (Uses)		(253,564)	(360,815)		182,264		(599,864)	(926,416)
Net change in fund balances	388,909	(153,453)	(368,945)	4,124	1,721,968	17,713	965,740	209,208
Fund Balances - beginning	3,029,188	2,797,741	1,525,049	(4,124)	6,019,604	688,377	4,498,556	1,181,303
Fund Balances - ending	\$ 3,418,097	\$ 2,644,288	\$ 1,156,104	\$	\$ 7,741,572	\$ 706,090	\$ 5,464,296	\$ 1,390,511

Community Development Projects	DMCC	Debt Service								Total Nonmajor Governmental Funds
		Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	
\$	\$	\$ 399,895	\$	\$	\$ 1,574,953	\$	\$	\$ 1,500,706	\$	\$ 18,744,455
										399,895
443,917					154,170					230,959
5,297			(2,551)		21,714		309	5,208	1,553	13,379,207
										5,543,966
										420,031
										232,400
197,120										4,557,608
646,334		399,895	(2,551)		1,750,837		309	1,505,914	1,553	1,293,875
										44,802,396
										8,741,358
										11,604,813
										4,214,941
										9,732,828
662,367	2,349,677			17,204						4,491,754
		399,895	1,452,381	1,155,218	1,844,094	2,866,388	2,952,819		123,462	10,794,257
662,367	2,349,677	399,895	1,452,381	1,172,422	1,844,094	2,866,388	2,952,819		123,462	49,579,951
(16,033)	(2,349,677)		(1,454,932)	(1,172,422)	(93,257)	(2,866,388)	(2,952,510)	1,505,914	(121,909)	(4,777,555)
									16,460,000	16,460,000
									2,044,042	2,044,042
	2,349,677		1,455,132	1,157,334		2,866,588	2,952,358			11,018,589
								(230,917)		(2,426,812)
	2,349,677		1,455,132	1,157,334		2,866,588	2,952,358	(230,917)	18,504,042	27,095,819
(16,033)			200	(15,088)	(93,257)	200	(152)	1,274,997	18,382,133	22,318,264
(16,649)			(200)	(2,077,887)	1,850,150	(200)	430			19,491,338
\$ (32,682)	\$	\$	\$	\$ (2,092,975)	\$ 1,756,893	\$	\$ 278	\$ 1,274,997	\$ 18,382,133	\$ 41,809,602

CITY OF ROCHESTER, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,158,871	\$ 7,158,871	\$ 7,034,528	\$ (124,343)
Intergovernmental	1,075,842	1,208,488	1,282,527	74,039
Charges for services	151,100	29,850	32,964	3,114
Interest earnings	11,500	31,920	33,449	1,529
Net increase (decrease) in the fair value of investments	(3,000)	(3,000)	27,300	30,300
Miscellaneous revenues				
Contributions	46,000	268,983	261,852	(7,131)
Other	3,100	418,438	457,647	39,209
Total Revenues	<u>8,443,413</u>	<u>9,113,550</u>	<u>9,130,267</u>	<u>16,717</u>
EXPENDITURES				
Public Library	8,483,032	8,848,462	8,523,097	325,365
Gifts appropriations		869,583	218,261	651,322
Total Expenditures	<u>8,483,032</u>	<u>9,718,045</u>	<u>8,741,358</u>	<u>976,687</u>
Excess (deficiency) of revenues over (under) expenditures	(39,619)	(604,495)	388,909	993,404
OTHER FINANCING USES				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>		<u>50,000</u>
Net change in fund balance	(89,619)	(654,495)	388,909	1,043,404
Fund Balance - beginning	<u>3,029,188</u>	<u>3,029,188</u>	<u>3,029,188</u>	
Fund Balance - ending	<u>\$ 2,939,569</u>	<u>\$ 2,374,693</u>	<u>\$ 3,418,097</u>	<u>\$ 1,043,404</u>

CITY OF ROCHESTER, MINNESOTA
MUNICIPAL RECREATION SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,230,477	\$ 8,230,477	\$ 8,085,572	\$ (144,905)
Intergovernmental	52,862	239,553	437,134	197,581
Charges for services	4,184,347	1,782,347	2,595,340	812,993
Interest earnings	21,400	21,400	20,968	(432)
Net increase (decrease) in the fair value of investments	(4,000)	(4,000)	20,200	24,200
Miscellaneous revenues				
Contributions	11,500	38,504	30,397	(8,107)
Other	139,303	80,448	134,650	54,202
Total Revenues	<u>12,635,889</u>	<u>10,388,729</u>	<u>11,324,261</u>	<u>935,532</u>
EXPENDITURES				
Administration	633,952	612,492	610,355	2,137
Recreation Department	821,990	752,273	551,946	200,327
Golf	1,714,958	1,433,832	1,336,849	96,983
Tennis Center	58,222	50,222	56,534	(6,312)
Volleyball Center	368,280	356,536	301,665	54,871
Swimming Pools	132,231	44,049	22,028	22,021
Graham Arenas	819,160	791,873	819,055	(27,182)
Park	6,527,863	5,865,732	6,217,684	(351,952)
Plummer House	96,579	71,879	43,766	28,113
Recreation Center	1,288,462	1,254,203	1,264,268	(10,065)
Total Expenditures	<u>12,461,697</u>	<u>11,233,091</u>	<u>11,224,150</u>	<u>8,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>174,192</u>	<u>(844,362)</u>	<u>100,111</u>	<u>944,473</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		49,300	51,100	1,800
Transfers out	<u>(211,662)</u>	<u>(304,664)</u>	<u>(304,664)</u>	
Total Other Financing Sources (Uses)	<u>(211,662)</u>	<u>(255,364)</u>	<u>(253,564)</u>	<u>1,800</u>
Net change in fund balance	(37,470)	(1,099,726)	(153,453)	946,273
Fund Balance - beginning	<u>2,797,741</u>	<u>2,797,741</u>	<u>2,797,741</u>	
Fund Balance - ending	<u>\$ 2,760,271</u>	<u>\$ 1,698,015</u>	<u>\$ 2,644,288</u>	<u>\$ 946,273</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 230,959	\$ 230,959	\$ 230,959	\$
Charges for services			80,083	80,083
Interest earnings			21,464	21,464
Net increase in the fair value of investments			8,500	8,500
Miscellaneous revenues			31,527	31,527
Total Revenues	<u>230,959</u>	<u>230,959</u>	<u>372,533</u>	<u>141,574</u>
EXPENDITURES				
Mayo Civic Center			<u>380,663</u>	<u>(380,663)</u>
Excess (deficiency) of revenues over (under) expenditures	230,959	230,959	(8,130)	(239,089)
OTHER FINANCING USES				
Transfers out	<u>(230,959)</u>	<u>(230,959)</u>	<u>(360,815)</u>	<u>(129,856)</u>
Net change in fund balance			(368,945)	(368,945)
Fund Balance - beginning	<u>1,525,049</u>	<u>1,525,049</u>	<u>1,525,049</u>	
Fund Balance - ending	<u>\$ 1,525,049</u>	<u>\$ 1,525,049</u>	<u>\$ 1,156,104</u>	<u>\$ (368,945)</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 557,907	\$ 557,907	\$ 548,657	\$ (9,250)
Intergovernmental	279,543	2,691,935	1,358,511	(1,333,424)
Charges for services	3,042,575	694,705	1,741,951	1,047,246
Interest earnings	11,000	11,000	87,848	76,848
Net increase (decrease) in the fair value of investments	(700)	(700)	37,800	38,500
Rental revenues	2,024,514	1,079,992	1,969,991	889,999
Miscellaneous revenues			9,887	9,887
Total Revenues	<u>5,914,839</u>	<u>5,034,839</u>	<u>5,754,645</u>	<u>719,806</u>
EXPENDITURES				
Airport operations	4,871,596	3,991,596	4,026,611	(35,015)
US customs operations	161,500	161,500	188,330	(26,830)
Total Expenditures	<u>5,033,096</u>	<u>4,153,096</u>	<u>4,214,941</u>	<u>(61,845)</u>
Excess (deficiency) of revenues over (under) expenditures	881,743	881,743	1,539,704	657,961
OTHER FINANCING SOURCES				
Transfers in			182,264	182,264
Net change in fund balance	881,743	881,743	1,721,968	840,225
Fund Balance - beginning	<u>6,019,604</u>	<u>6,019,604</u>	<u>6,019,604</u>	
Fund Balance - ending	<u>\$ 6,901,347</u>	<u>\$ 6,901,347</u>	<u>\$ 7,741,572</u>	<u>\$ 840,225</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest earnings	\$ 6,600	\$ 6,600	\$ 12,513	\$ 5,913
Net increase (decrease) in the fair value of investments	(1,500)	(1,500)	5,200	6,700
Net change in fund balance	5,100	5,100	17,713	12,613
 Fund Balance - beginning	 688,377	 688,377	 688,377	
Fund Balance - ending	<u>\$ 693,477</u>	<u>\$ 693,477</u>	<u>\$ 706,090</u>	<u>\$ 12,613</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 39	\$ 39
Intergovernmental revenues	11,844,660	19,045,250	9,699,122	(9,346,128)
Charges for services	3,850,500	1,850,500	1,093,628	(756,872)
Interest earnings	26,700	26,700	204,562	177,862
Net increase (decrease) in the fair value of investments	(1,000)	(1,000)	130,600	131,600
Miscellaneous revenues	96,000	126,474	170,481	44,007
Total Revenues	<u>15,816,860</u>	<u>21,047,924</u>	<u>11,298,432</u>	<u>(9,749,492)</u>
EXPENDITURES				
Fixed route	13,690,510	12,904,110	9,195,877	3,708,233
Demand response - ZIPS	1,115,098	1,115,098	536,951	578,147
Total Expenditures	<u>14,805,608</u>	<u>14,019,208</u>	<u>9,732,828</u>	<u>4,286,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,011,252</u>	<u>7,028,716</u>	<u>1,565,604</u>	<u>(5,463,112)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			4,136	4,136
Transfers out			(604,000)	(604,000)
Total Other Financing Sources (Uses)			<u>(599,864)</u>	<u>(599,864)</u>
Net change in fund balance	1,011,252	7,028,716	965,740	(6,062,976)
Fund Balance - beginning	<u>4,498,556</u>	<u>4,498,556</u>	<u>4,498,556</u>	
Fund Balance - ending	<u>\$ 5,509,808</u>	<u>\$ 11,527,272</u>	<u>\$ 5,464,296</u>	<u>\$ (6,062,976)</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, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Economic development/tourism	\$ 2,856,647	\$ 2,856,647	\$ 2,349,677	\$ 506,970
Excess (deficiency) of revenues over (under) expenditures	(2,856,647)	(2,856,647)	(2,349,677)	506,970
OTHER FINANCING SOURCES				
Transfers in	2,856,647	2,856,647	2,349,677	(506,970)
Net change in fund balance				
Fund Balance - beginning				
Fund Balance - ending	\$	\$	\$	\$

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2020

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, 2020

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 254,623	\$ 100,251	\$ 942,846	\$ 53,000	\$ 1,350,720
Investments	6,806,100	4,966,000	25,877,200	986,000	38,635,300
Accrued interest receivable	29,758	21,683	112,943	4,814	169,198
Taxes receivable delinquent	7,856	906			8,762
Advances to other funds			5,457,780		5,457,780
Due from other governmental units	17,764	22			17,786
Total Current Assets	<u>7,116,101</u>	<u>5,088,862</u>	<u>32,390,769</u>	<u>1,043,814</u>	<u>45,639,546</u>
Noncurrent Assets:					
Capital assets:					
Construction in process	1,316,148				1,316,148
Machinery and equipment	43,235,512	3,514,471			46,749,983
Less: Accumulated depreciation	<u>(27,880,320)</u>	<u>(2,875,437)</u>			<u>(30,755,757)</u>
Total capital assets (net of accumulated depreciation)	<u>16,671,340</u>	<u>639,034</u>			<u>17,310,374</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from OPEB activity			2,983,497		2,983,497
Total Assets and Deferred Outflows of Resources	<u>23,787,441</u>	<u>5,727,896</u>	<u>35,374,266</u>	<u>1,043,814</u>	<u>65,933,417</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	466,231	57,698	659,009		1,182,938
Accrued interest payable	29,684				29,684
Deposits payable			1,330		1,330
Unearned revenue			175,478		175,478
Due to other governmental units			5,683		5,683
Accrued claims			1,470,851		1,470,851
Bonds payable	245,000				245,000
Total Current Liabilities	<u>740,915</u>	<u>57,698</u>	<u>2,312,351</u>		<u>3,110,964</u>
Noncurrent Liabilities:					
Bonds payable	1,945,000				1,945,000
Accrued claims			1,010,228		1,010,228
Post employment benefit obligation			14,615,838		14,615,838
Total Noncurrent Liabilities	<u>1,945,000</u>		<u>15,626,066</u>		<u>17,571,066</u>
Total Liabilities	<u>2,685,915</u>	<u>57,698</u>	<u>17,938,417</u>		<u>20,682,030</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from OPEB activity			254,810		254,810
Total Liabilities and Deferred Inflows of Resources	<u>2,685,915</u>	<u>57,698</u>	<u>18,193,227</u>		<u>20,936,840</u>
NET POSITION					
Net investment in capital assets	14,481,340	639,034			15,120,374
Unrestricted	6,620,186	5,031,164	17,181,039	1,043,814	29,876,203
Total Net Position	<u>\$ 21,101,526</u>	<u>\$ 5,670,198</u>	<u>\$ 17,181,039</u>	<u>\$ 1,043,814</u>	<u>\$ 44,996,577</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, 2020

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 3,361,475	\$ 1,846,610	\$	\$	\$ 5,208,085
Copy center charges	18,881				18,881
Departmental workers' compensation charges			732,480		732,480
Departmental insurance charges	6,900		22,190,668		22,197,568
Departmental flex charges			13,102		13,102
Employee insurance charges			1,425,283		1,425,283
Employee flex benefit contributions			574,885		574,885
Total Operating Revenues	<u>3,387,256</u>	<u>1,846,610</u>	<u>24,936,418</u>		<u>30,170,284</u>
Operating Expenses:					
Copy center	14,125				14,125
Minor equipment		220,498			220,498
Workers' compensation benefits			709,627		709,627
Workers' compensation insurance premiums			91,999		91,999
Health insurance claims			22,889,497		22,889,497
Flex benefits			569,797		569,797
Property and liability insurance			791,716		791,716
Property and liability claims			141,531		141,531
Other	6,330	902,520			908,850
Depreciation	3,209,670	296,792			3,506,462
Total Operating Expenses	<u>3,230,125</u>	<u>1,419,810</u>	<u>25,194,167</u>		<u>29,844,102</u>
Operating Income (Loss)	<u>157,131</u>	<u>426,800</u>	<u>(257,749)</u>		<u>326,182</u>
Nonoperating Revenues (Expenses):					
General property taxes	383,448	134			383,582
Interest earnings	110,657	85,281	495,422	4,614	695,974
Net increase in the fair value of investments	61,100	41,900	213,500	14,200	330,700
Interest and fiscal charges	(71,490)				(71,490)
Gain on disposal of property	215,691				215,691
Intergovernmental revenues		54,231			54,231
Total Nonoperating Revenues	<u>699,406</u>	<u>181,546</u>	<u>708,922</u>	<u>18,814</u>	<u>1,608,688</u>
Income Before Transfers	856,537	608,346	451,173	18,814	1,934,870
Capital contributions	134,304				134,304
Transfers in	135,387		111,909	1,100,000	1,347,296
Transfers out		(293,887)		(75,000)	(368,887)
Change in Net Position	1,126,228	314,459	563,082	1,043,814	3,047,583
Total Net Position - beginning	<u>19,975,298</u>	<u>5,355,739</u>	<u>16,617,957</u>		<u>41,948,994</u>
Total Net Position - ending	<u>\$ 21,101,526</u>	<u>\$ 5,670,198</u>	<u>\$ 17,181,039</u>	<u>\$ 1,043,814</u>	<u>\$ 44,996,577</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 3,371,007	\$ 1,846,638	\$ 24,509,448	\$	\$ 29,727,093
Cash received from employees			2,009,265		2,009,265
Cash paid to suppliers	<u>(20,455)</u>	<u>(1,115,388)</u>	<u>(23,567,330)</u>		<u>(24,703,173)</u>
Net Cash Provided by Operating Activities	<u>3,350,552</u>	<u>731,250</u>	<u>2,951,383</u>		<u>7,033,185</u>
Cash Flows From Noncapital Financing Activities:					
General property taxes	377,769	34			377,803
Intergovernmental revenues		54,231			54,231
Transfers in	135,387		111,909	1,100,000	1,347,296
Transfers out		<u>(293,887)</u>		<u>(75,000)</u>	<u>(368,887)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>513,156</u>	<u>(239,622)</u>	<u>111,909</u>	<u>1,025,000</u>	<u>1,410,443</u>
Cash Flows From Capital and Related Financing Activities:					
Principal and interest payments on bonds	(157,735)				(157,735)
Proceeds from sale of property	279,108				279,108
Acquisition of capital assets	<u>(2,427,817)</u>	<u>(31,869)</u>			<u>(2,459,686)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,306,444)</u>	<u>(31,869)</u>			<u>(2,338,313)</u>
Cash Flows From Investing Activities:					
Investment income	105,947	84,282	494,736	(200)	684,765
Net (increase) decrease in investments	<u>(1,803,800)</u>	<u>(829,800)</u>	<u>(3,534,800)</u>	<u>(971,800)</u>	<u>(7,140,200)</u>
Net Cash Used in Investing Activities	<u>(1,697,853)</u>	<u>(745,518)</u>	<u>(3,040,064)</u>	<u>(972,000)</u>	<u>(6,455,435)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(140,589)	(285,759)	23,228	53,000	(350,120)
Cash and Cash Equivalents, Beginning of Year	<u>395,212</u>	<u>386,010</u>	<u>919,618</u>		<u>1,700,840</u>
Cash and Cash Equivalents, End of Year	<u>\$ 254,623</u>	<u>\$ 100,251</u>	<u>\$ 942,846</u>	<u>\$ 53,000</u>	<u>\$ 1,350,720</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2020

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)	\$ 157,131	\$ 426,800	\$ (257,749)	\$	\$ 326,182
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation	3,209,670	296,792			3,506,462
(Increase) Decrease In:					
Accounts receivable			9,097		9,097
Due from other governmental units	(16,249)	28			(16,221)
Advances due from other funds			1,573,198		1,573,198
Deferred outflows from OPEB activity			(2,471,349)		(2,471,349)
Increase (Decrease) In:					
Accounts payable		7,630	581,470		589,100
Deposits payable			(2,206)		(2,206)
Unearned revenue			6,097		6,097
Due to other governmental units			1,903		1,903
Post employment benefit obligation			3,540,855		3,540,855
Deferred inflows from OPEB activity			(42,469)		(42,469)
Accrued claims			12,536		12,536
Net Cash Provided by Operating Activities	\$ 3,350,552	\$ 731,250	\$ 2,951,383	\$	\$ 7,033,185
Non Cash Transactions:					
Increase in fair value of investments	\$ 61,100	\$ 41,900	\$ 213,500	\$ 14,200	\$ 316,500
Receipt of contributed property	134,304				134,304
Equipment purchases in accounts payable at year end	466,231				466,231

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