

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

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

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, 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2006 on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Honorable Mayor and Members
of the City Council
City of Rochester, Minnesota
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The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 tables listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and supplementary information have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information identified in the Table of Contents as the introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
May 30, 2006

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, 2005, with comparative data for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$904,563,347 (*net assets*). Of this amount, \$182,476,807 (unrestricted net assets) 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 assets increased by \$64,184,329.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$97,894,233. Approximately 9 percent of this total amount, or \$8,434,848 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$18,206,655 or 42 percent of total general fund expenditures.
- The City of Rochester increased total outstanding debt obligations, including accrued compensated absences, by \$4,065,442 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Additional explanation of these sections of the financial statements follows.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

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

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the construction improvement capital projects fund, both of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The 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 23-24) and the special revenue funds (pages 76-81) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 25-32 of this report.

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

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 33-70 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds can be found on pages 72-81 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. The City of Rochester first implemented GASB statement #34 for its fiscal year ended December 31, 2002. However, the City deferred complete implementation of the retroactive infrastructure portion for general government activities until a final revaluation could be completed. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but had not been recorded on its financial records prior to January 1, 2003. Valuations of the water and sewer lines, storm water ponds, sidewalk, pedestrian trails, traffic signal inventory, flood control improvements, roads, bridges, and storm water lines have now been completed and are included in this December 31, 2005 statement. This concludes the process of valuation and retroactive recording of the City's infrastructure. The City of Rochester has significant reserves in the capital project funds and an ongoing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All infrastructure assets acquired since 2002 are properly recorded under the new reporting model.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rochester, assets exceeded liabilities by \$904,563,347 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net assets (75 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Rochester uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Rochester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

City of Rochester's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (As Restated)	2005	2004 (As Restated)	2005	2004 (As Restated)
	Current and other assets	\$ 148,252,974	\$ 134,001,327	\$ 116,419,252	\$ 139,182,010	\$ 264,672,226
Capital assets	431,812,464	401,729,976	408,055,052	354,791,166	839,867,516	756,521,142
Total assets	<u>580,065,438</u>	<u>535,731,303</u>	<u>524,474,304</u>	<u>493,973,176</u>	<u>1,104,539,742</u>	<u>1,029,704,479</u>
Long-term liabilities						
outstanding	22,720,432	22,173,109	146,032,199	142,514,080	168,752,631	164,687,189
Other liabilities	14,809,566	12,389,877	16,414,198	12,248,395	31,223,764	24,638,272
Total liabilities	<u>37,529,998</u>	<u>34,562,986</u>	<u>162,446,397</u>	<u>154,762,475</u>	<u>199,976,395</u>	<u>189,325,461</u>
Net assets:						
Invested in capital assets,						
net of related debt	410,403,840	386,077,492	269,212,028	218,331,466	679,615,868	604,408,958
Restricted	41,810,285	32,353,633	660,387	78,197,015	42,470,672	110,550,648
Unrestricted	90,321,315	82,737,192	92,155,492	42,682,220	182,476,807	125,419,412
Total net assets	<u>\$ 542,535,440</u>	<u>\$ 501,168,317</u>	<u>\$ 362,027,907</u>	<u>\$ 339,210,701</u>	<u>\$ 904,563,347</u>	<u>\$ 840,379,018</u>

An additional portion of the City of Rochester's net assets (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$182,476,807) 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 assets, both for the government as a whole, as well as for its business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City of Rochester's net assets by \$41,367,123. Much of this increase can be found in the capital grants and contributions (primarily roads) while the remainder is due to higher than expected fee revenue and lower than expected operating costs.

Business-type activities. Business-type activities increased the City of Rochester's net assets by \$22,817,206. The majority of this increase is attributable to the capital contribution of sewer and storm sewer infrastructure assets as noted above. Operations in the City's electric and water utilities contributed the majority of the remainder of the increase.

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

A condensed version of the Statement of Activities follows:

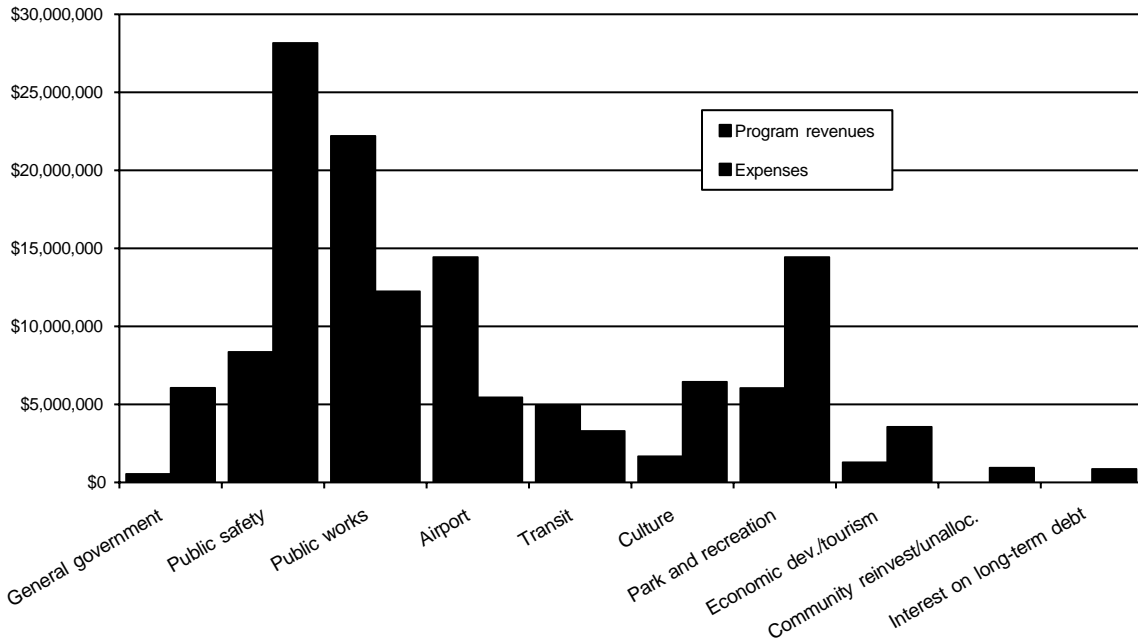
City of Rochester's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (As Restated)	2005	2004 (As Restated)	2005	2004 (As Restated)
	Revenue:					
Program revenues:						
Charges for services	\$ 15,022,722	\$ 14,757,361	\$ 137,180,715	\$ 125,005,326	\$ 152,203,437	\$ 139,762,687
Operating grants and contributions	7,059,210	7,107,431			7,059,210	7,107,431
Capital grants and contributions	37,406,085	31,083,644	13,946,513	16,514,378	51,352,598	47,598,022
General revenues:						
Property taxes	29,975,840	26,767,245		98	29,975,840	26,767,343
Other taxes	14,029,753	14,575,255			14,029,753	14,575,255
Grants and contributions not restricted to specific programs	7,909,168	9,044,063	9,796	9,796	7,918,964	9,053,859
Other	3,123,716	(981,749)	3,183,839	2,856,295	6,307,555	1,874,546
Total revenues	<u>114,526,494</u>	<u>102,353,250</u>	<u>154,320,863</u>	<u>144,385,893</u>	<u>268,847,357</u>	<u>246,739,143</u>
Expenses:						
General government	6,064,465	5,903,311			6,064,465	5,903,311
Public safety	28,164,368	27,197,802			28,164,368	27,197,802
Public works	12,249,412	11,869,756			12,249,412	11,869,756
Airport	5,457,037	3,691,508			5,457,037	3,691,508
Transit	3,297,701	2,736,558			3,297,701	2,736,558
Culture	6,443,821	7,910,173			6,443,821	7,910,173
Park and recreation	14,436,903	12,095,905			14,436,903	12,095,905
Economic development/tourism	3,560,176	3,149,558			3,560,176	3,149,558
Community reinvestment/unallocated	939,928	198,911			939,928	198,911
Interest on long-term debt	870,516	1,333,511			870,516	1,333,511
Parking			3,138,080	2,963,261	3,138,080	2,963,261
Electric			97,352,275	92,520,009	97,352,275	92,520,009
Water			6,096,397	5,731,981	6,096,397	5,731,981
Sewer			14,067,892	8,831,583	14,067,892	8,831,583
Storm water			2,524,057	1,899,924	2,524,057	1,899,924
Total expenses	<u>81,484,327</u>	<u>76,086,993</u>	<u>123,178,701</u>	<u>111,946,758</u>	<u>204,663,028</u>	<u>188,033,751</u>
Increase in net assets before transfers	33,042,167	26,266,257	31,142,162	32,439,135	64,184,329	58,705,392
Transfers	8,324,956	(67,769,519)	(8,324,956)	67,769,519		
Increase in net assets	41,367,123	(41,503,262)	22,817,206	100,208,654	64,184,329	58,705,392
Net assets, beginning of year	501,168,317	385,330,228	339,210,701	239,002,047	840,379,018	624,332,275
Prior period adjustment		157,341,351				157,341,351
Net assets, beginning restated	501,168,317	542,671,579	339,210,701	239,002,047	840,379,018	781,673,626
Net assets, end of year	<u>\$ 542,535,440</u>	<u>\$ 501,168,317</u>	<u>\$ 362,027,907</u>	<u>\$ 339,210,701</u>	<u>\$ 904,563,347</u>	<u>\$ 840,379,018</u>

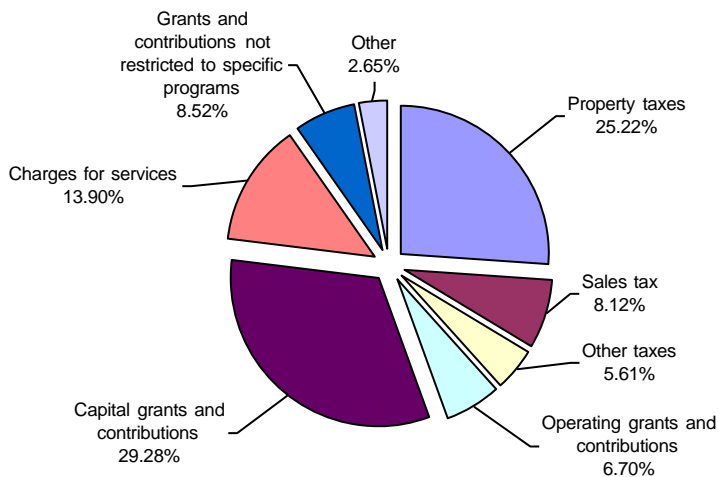
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



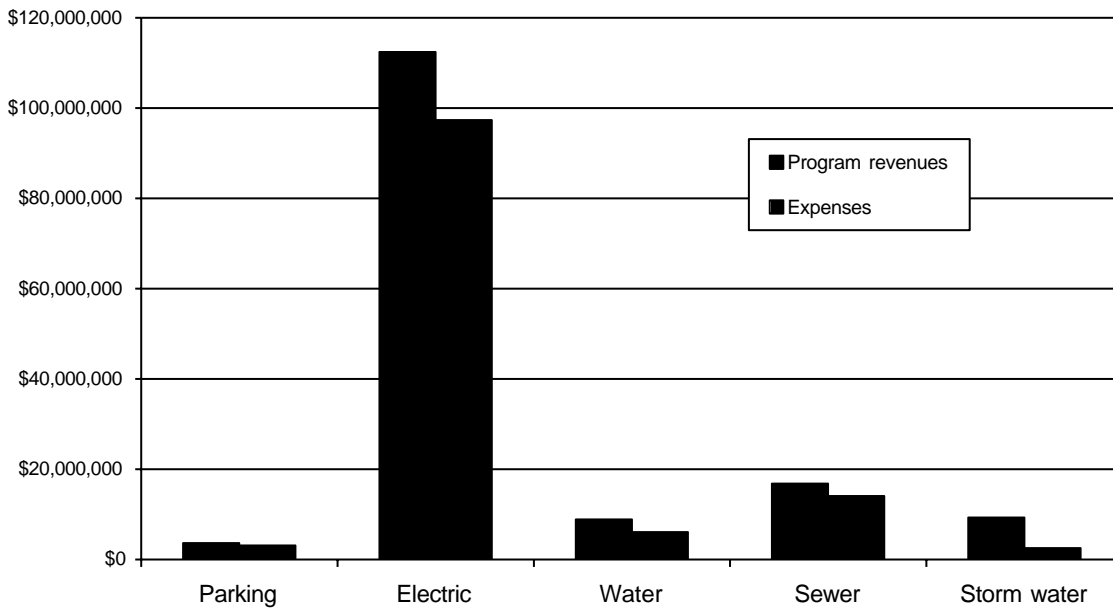
Revenues by Source - Governmental Activities



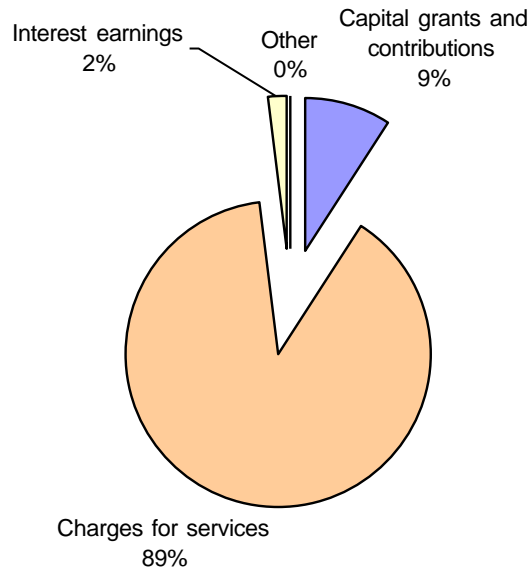
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures. Since all five of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$97,894,233, an increase of \$5,725,441 from the prior year primarily a result of in-lieu of tax payments and transfers to the capital project construction fund from enterprise funds. Approximately 43 percent of the total fund balance, or \$41,860,034, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,290,060), 2) to repay interfund advances or other debt (\$19,617,161), or 3) to fund specific capital projects or programs as obligated by statute or other regulation (\$35,068,700).

The general fund is the chief operating fund of the City of Rochester. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,206,655 while total fund balance amounted to \$18,453,822. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The general fund increased its fund balance by \$1.6 million during the year which reflects higher than anticipated revenues, primarily building permit revenues, and lower than anticipated expenditures in the police, fire and engineering divisions. Police and fire experienced savings in employee services due to attrition and some delays in filling open positions. Engineering charges to capital projects for employee services exceeded the budgeted amount due to increased project activity.

The library fund (page 84) decreased its fund balance by \$23,330 for the year as it transferred funds to the capital projects fund for equipment purchases. The municipal recreation fund increased its fund balance by \$104,994 despite reduced golf revenues this year as it received a transfer from the general fund in recognition of extraordinary expenses for energy improvements. The airport fund increased its total fund balance by \$526,315 for the year to \$3,438,869. The transit fund saw an increase in fund balance of \$20,162 as intergovernmental revenues increased but were offset by increased repairs and insurance costs during the year.

Debt service fund balances remained essentially unchanged for the year, as transfers in from other funds provided monies for all debt service payments.

The construction improvement fund increased fund balance by \$3.5 million reflecting the transfer in of \$1.4 million to fund new projects and the receipt of sales tax revenues that outpaced sales tax project construction costs.

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

Proprietary funds. The City of Rochester's proprietary funds statements found on pages 25 - 32 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets in the respective proprietary funds are Parking - \$10,577,496, Electric - \$23,398,916, Water - \$1,065,755, Sewer - \$56,069,989 and Storm water - \$1,423,387. All had increases in total net assets for the year.

The water utility's rates were increased an average of 5 percent again in January of 2005 as the utility continued to spend cash on all maintenance and repair of existing water lines and water usage was down for the second year due to high summer precipitation.

The sewer utility's rates were adjusted an average of just under 5 percent effective January of 2005 based upon the service costing completed during 2004. In addition, a new "plant investment fee" was instituted in 2005 and charged to new development at the time of building permit issuance. These monies will help to pay debt service on bonds issued for the plant expansion currently underway.

The electric utility rates were increased an average of 3 percent in January of 2005, while the parking utility rates increased somewhat as well, but varied widely by space and type.

The storm water utility realized its first year of operations in 2004 and began to accumulate cash reserves for needed pond and waterway construction. New fees for this utility were effective January 1, 2004 based upon lot size and percentage of impervious surface for commercial and industrial properties. All residential parcels paid a flat rate.

General Fund Budgetary Highlights

The City approved the 2005 general fund budget anticipating a "balanced budget" or slight growth in fund balance.

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

- Increase in revenues due to various appropriations.
- Increase in the Mayor and Council, City Attorney, Police and Fire Department budgets to cover unplanned expenditures for legal consultants, appropriations for private security contracting with City police officers, and grant appropriations.

At the close of the year, general fund total expenditures were \$3,030,138 below final budget while actual revenues surpassed the final budget by \$1,677,580.

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

Capital Asset and Debt Administration

Capital assets. The City of Rochester's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounts to \$839,867,516 (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 \$240,687,725, or 40 percent. Most of this increase within the governmental activities can be found in the addition of the street network and flood control infrastructure. Within the business-type activities the most significant increases occurred with the retroactive addition of storm water lines in the storm water utility.

All infrastructure is now included in the City's capital asset records.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004 (As Restated)	2005	2004 (As Restated)	2005	2004 (As Restated)
Land	\$ 47,799,275	\$ 47,150,013	\$ 6,911,822	\$ 5,829,574	\$ 54,711,097	\$ 52,979,587
Buildings	72,912,147	76,228,348	160,815,810	148,777,219	233,727,957	225,005,567
Improvements other than buildings	7,210,309	7,160,125			7,210,309	7,160,125
Machinery and equipment	23,057,690	20,052,512	186,052,837	178,618,146	209,110,527	198,670,658
Infrastructure	236,157,970	208,626,114			236,157,970	208,626,114
Construction in progress	44,675,073	42,512,864	54,274,583	21,566,227	98,949,656	64,079,091
Total	<u>\$ 431,812,464</u>	<u>\$ 401,729,976</u>	<u>\$ 408,055,052</u>	<u>\$ 354,791,166</u>	<u>\$ 839,867,516</u>	<u>\$ 756,521,142</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 49-51 of this report.

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$153,480,860 in bonds and notes outstanding. Of this amount, \$104,064,108 comprises debt backed by the full faith and credit of the government and \$49,416,752 represents bonds 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, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 2,547,435	\$ 2,603,879	\$	\$	\$ 2,547,435	\$ 2,603,879
General obligation revenue bonds	10,258,673	10,458,673	89,070,000	89,855,000	99,328,673	100,313,673
General obligation revenue notes	2,188,000	2,295,000			2,188,000	2,295,000
Revenue bonds			43,740,000	45,050,000	43,740,000	45,050,000
Notes payable	256,752	314,287	5,420,000		5,676,752	314,287
Total	<u>\$ 15,250,860</u>	<u>\$ 15,671,839</u>	<u>\$ 138,230,000</u>	<u>\$ 134,905,000</u>	<u>\$ 153,480,860</u>	<u>\$ 150,576,839</u>

The City of Rochester's total bonds and notes payable increased by \$2,904,021 during the current fiscal year. The City issued a \$5,765,000 electric utility revenue note during 2005 for construction of distribution system assets into their expanded service territories. The remaining principal reductions occurred as a result of scheduled debt service payments on existing debt. A more detailed breakdown of these obligations can be found in Note 3:H., beginning on page 55.

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 received an Aa3 rating from Moody's and an A+ on its Utility Revenue Bonds.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Rochester ended the first quarter of 2006 at 4.2 percent, which is down from 4.4 percent a year ago. This compares favorably to the state and national average unemployment rate of 4.8 percent. Total number of jobs continued their eleven-year trend of growth with this year's number up 1.5% over last year.
- Rochester continues to see new construction growth, not only in residential, but also in commercial construction. New construction caused the City's total market valuation to increase by 4.5 percent, or over \$290 million for taxes payable in 2006.
- Property tax reforms and budget deficits at the state level continue to significantly impact government aid payments made to the City. Rochester's has sustained state aid reductions of nearly \$5 million, or 47 percent, since 2002 when the City received \$10.7 million annually. Under current law, these reductions will continue into the future until Rochester's state aid bottoms out at \$2.5 million. Present legislative battles do not indicate any near-term improvement in this situation.
- Interest rates have begun to climb, helping to increase average earnings of the City's investment portfolio.

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

All of these factors were considered in preparing the City of Rochester's budget for the 2006 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City's tax levy was increased for pay 2006 in expectation that state aid will continue to dwindle while the City continues its growth trends and resulting demands for service.

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, 2005

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET ASSETS

December 31, 2005

With Comparative Totals for December 31, 2004

	Governmental Activities	Business-Type Activities	Totals	
			2005	2004 (As Restated)
ASSETS				
Cash and cash equivalents	\$ 8,495,488	\$ 19,464,006	\$ 27,959,494	\$ 38,456,689
Investments	108,221,950	21,764,700	129,986,650	113,758,265
Receivables (net of allowance for uncollectibles)	22,775,816	10,001,111	32,776,927	24,643,054
Internal balances	952,570	(952,570)		
Due from other governmental units	7,583,315	10,846	7,594,161	4,129,403
Accrued utility revenues		2,754,244	2,754,244	2,995,289
Restricted cash and investments	32,565	53,355,306	53,387,871	81,280,257
Restricted assets		660,387	660,387	241,608
Inventory	165,557	8,119,097	8,284,654	6,940,886
Prepaid items	25,713	52,485	78,198	28,657
Deferred charges and other assets		1,189,640	1,189,640	709,229
Capital assets:				
Nondepreciable	92,474,348	61,186,405	153,660,753	117,058,678
Depreciable, net	339,338,116	346,868,647	686,206,763	639,462,464
Total Assets	<u>580,065,438</u>	<u>524,474,304</u>	<u>1,104,539,742</u>	<u>1,029,704,479</u>
LIABILITIES				
Accounts and contracts payable	2,626,405	11,977,148	14,603,553	10,855,588
Deposits payable	1,098,924	565,415	1,664,339	1,738,090
Accrued interest payable	352,166	1,903,576	2,255,742	1,244,155
Accrued compensation and payroll taxes	1,632,616	488,276	2,120,892	1,964,640
Accrued claims	2,534,996	123,000	2,657,996	2,960,576
Due to other governmental units	6,564,459	390,247	6,954,706	4,778,430
Unearned revenue		966,536	966,536	1,096,793
Noncurrent liabilities:				
Due within one year	4,767,535	4,510,992	9,278,527	8,795,078
Due in more than one year	17,952,897	141,521,207	159,474,104	155,892,111
Total Liabilities	<u>37,529,998</u>	<u>162,446,397</u>	<u>199,976,395</u>	<u>189,325,461</u>
NET ASSETS				
Invested in capital assets, net of related debt	410,403,840	269,212,028	679,615,868	604,408,958
Restricted for:				
Airport	4,015,170		4,015,170	2,912,554
CDBG loans	3,270,151		3,270,151	2,987,696
Civic music endowment	32,565		32,565	29,770
Service territory acquisitions		660,387	660,387	241,608
Flood control	22,345,524		22,345,524	21,124,782
Sales tax authorized projects	12,146,875		12,146,875	5,298,831
Unrestricted	90,321,315	92,155,492	182,476,807	203,374,819
Total Net Assets	<u>\$ 542,535,440</u>	<u>\$ 362,027,907</u>	<u>\$ 904,563,347</u>	<u>\$ 840,379,018</u>

See Notes to the Financial Statements

**CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 6,064,465	\$ 440,710	\$ 416	\$ 100,000
Public safety	28,164,368	6,020,036	2,177,904	165,252
Public works	12,249,412	240,393	32,602	21,938,432
Airport	5,457,037	2,586,232	330,426	11,522,164
Transit	3,297,701	61,994	2,598,500	2,256,556
Culture	6,443,821	373,127	1,307,084	
Park and recreation	14,436,903	5,295,126	476,330	273,436
Economic development/tourism	3,560,176	5,104	135,948	1,150,245
Community reinvestment/unallocated	939,928			
Interest on long-term debt	870,516			
Total governmental activities	<u>81,484,327</u>	<u>15,022,722</u>	<u>7,059,210</u>	<u>37,406,085</u>
Business-Type activities:				
Parking	3,138,080	3,670,386		
Electric utility	97,352,275	112,432,402		6,321
Water utility	6,096,397	7,047,596		1,848,834
Sewer utility	14,067,892	10,208,056		6,593,197
Storm water utility	2,524,057	3,822,275		5,498,161
Total business-type activities	<u>123,178,701</u>	<u>137,180,715</u>		<u>13,946,513</u>
Total	<u>\$ 204,663,028</u>	<u>\$ 152,203,437</u>	<u>\$ 7,059,210</u>	<u>\$ 51,352,598</u>
General revenues:				
General property taxes				
Tax increments collection (refund)				
Sales tax				
Nonproperty taxes				
Grants and contributions not restricted to specific programs				
Interest earnings				
Loss on disposition of property				
Net decrease in the fair value of investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Prior period adjustment				
Net assets - beginning as restated				
Net assets - ending				

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2005	2004 (As Restated)
\$ (5,523,339)		\$ (5,523,339)	\$ (5,317,300)
(19,801,176)		(19,801,176)	(19,061,490)
9,962,015		9,962,015	12,716,075
8,981,785		8,981,785	2,799,509
1,619,349		1,619,349	1,110,160
(4,763,610)		(4,763,610)	(6,411,875)
(8,392,011)		(8,392,011)	(5,471,716)
(2,268,879)		(2,268,879)	(1,969,498)
(939,928)		(939,928)	(198,911)
(870,516)		(870,516)	(1,017,418)
<u>(21,996,310)</u>		<u>(21,996,310)</u>	<u>(22,822,464)</u>
	\$ 532,306	532,306	744,904
	15,086,448	15,086,448	10,177,765
	2,800,033	2,800,033	6,567,846
	2,733,361	2,733,361	6,150,978
	<u>6,796,379</u>	<u>6,796,379</u>	<u>5,931,453</u>
	<u>27,948,527</u>	<u>27,948,527</u>	<u>29,572,946</u>
<u>(21,996,310)</u>	<u>27,948,527</u>	<u>5,952,217</u>	<u>6,750,482</u>
29,975,840		29,975,840	26,767,343
1,234,488		1,234,488	(1,595,672)
8,767,156		8,767,156	8,614,955
4,028,109		4,028,109	3,756,385
7,909,168	9,796	7,918,964	9,053,859
3,797,186	3,187,157	6,984,343	4,396,542
(270,214)		(270,214)	
(607,192)	(287,211)	(894,403)	(777,016)
203,936	283,893	487,829	1,738,514
8,324,956	<u>(8,324,956)</u>		
<u>63,363,433</u>	<u>(5,131,321)</u>	<u>58,232,112</u>	<u>51,954,910</u>
41,367,123	22,817,206	64,184,329	<u>58,705,392</u>
501,168,317	339,210,701	840,379,018	624,332,275
			<u>157,341,351</u>
<u>501,168,317</u>	<u>339,210,701</u>	<u>840,379,018</u>	<u>781,673,626</u>
<u>\$ 542,535,440</u>	<u>\$ 362,027,907</u>	<u>\$ 904,563,347</u>	<u>\$ 840,379,018</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2005

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2005

With Comparative Totals for December 31, 2004

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2005	2004
ASSETS					
Cash and cash equivalents	\$ 589,036	\$ 5,749,225	\$ 1,014,592	\$ 7,352,853	\$ 14,983,692
Investments	18,616,240	65,420,910	6,169,600	90,206,750	77,603,350
Accrued interest receivable	318,553	339,100	39,800	697,453	471,612
Accounts receivable (net of allowance for uncollectibles)	590,533	1,098,011	1,428,653	3,117,197	2,717,948
Loans receivable		2,493,064	3,270,151	5,763,215	4,374,821
Taxes receivable delinquent	143,146	45,618	76,695	265,459	260,160
Special assessments receivable:					
Deferred		12,754,630		12,754,630	9,357,524
Delinquent	1,342	23,369	430	25,141	53,701
Utility connection charges receivable:					
Deferred		36,521		36,521	51,248
Due from other funds	662,766	472,455	15,666	1,150,887	1,338,360
Due from other governmental units	953,332	6,117,600	512,383	7,583,315	4,127,913
Advances to other funds		1,290,060		1,290,060	1,469,963
Prepaid items	12,600		13,113	25,713	27,953
Restricted cash	32,565			32,565	29,770
Inventory	165,557			165,557	84,808
TOTAL ASSETS	\$ 22,085,670	\$ 95,840,563	\$ 12,541,083	\$ 130,467,316	\$ 116,952,823
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts and contracts payable	\$ 652,625	\$ 1,338,620	\$ 593,817	\$ 2,585,062	\$ 1,650,260
Deposits payable	631,102	4,300	138,187	773,589	786,786
Accrued compensation and payroll taxes	1,287,474		326,692	1,614,166	1,488,393
Accrued compensated absences	316,352		40,478	356,830	349,881
Due to other funds	347,086	697	230,585	578,368	542,422
Due to other governmental units	252,722	6,129,999	147,320	6,530,041	4,398,872
Advances from other funds			1,290,060	1,290,060	1,469,963
Deferred revenue	144,487	15,353,203	3,347,277	18,844,967	14,097,454
Total Liabilities	3,631,848	22,826,819	6,114,416	32,573,083	24,784,031
Fund Balance:					
Reserved for:					
Restricted assets	32,565			32,565	29,770
Prepaid items	12,600		13,113	25,713	27,953
Interfund advances		1,290,060		1,290,060	1,469,963
Encumbrances	202,002	19,389,073	26,086	19,617,161	7,030,539
Airport		576,301		576,301	
Flood control		22,345,524		22,345,524	21,124,782
Sales tax authorized projects		12,146,875		12,146,875	5,298,831
Unreserved, designated, reported in:					
General fund	6,666,833			6,666,833	5,913,265
Special revenue funds			1,768,015	1,768,015	1,594,609
Unreserved, undesignated, reported in:					
General fund	11,539,822			11,539,822	10,710,036
Capital projects fund		17,265,911		17,265,911	34,799,074
Special revenue funds			4,619,453	4,619,453	4,169,970
Total Fund Balance	18,453,822	73,013,744	6,426,667	97,894,233	92,168,792
TOTAL LIABILITIES AND FUND BALANCE	\$ 22,085,670	\$ 95,840,563	\$ 12,541,083	\$ 130,467,316	\$ 116,952,823

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS

December 31, 2005

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

Total governmental fund balances (page 19)		\$ 97,894,233
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 565,562,690	
Less: Accumulated depreciation	<u>(142,028,017)</u>	423,534,673
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 290,601	
Deferred special assessments and utility connection agreements	12,791,151	
Loans receivable	<u>5,763,215</u>	18,844,967
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		24,977,335
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	\$ (15,250,860)	
Compensated absences	(7,125,722)	
Accrued interest	(352,166)	
Unamortized bond issuance costs	<u>12,980</u>	<u>(22,715,768)</u>
Net assets of governmental activities (page 16)		<u><u>\$ 542,535,440</u></u>

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

For the Year Ended December 31, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2005	2004
REVENUES					
General property taxes	\$ 16,671,967	\$ 4,891,977	\$ 8,406,596	\$ 29,970,540	\$ 26,897,971
Tax increments collections (refund)		1,035,298	199,190	1,234,488	(1,595,672)
Sales tax		7,731,082	1,036,074	8,767,156	8,614,955
Special assessments		1,906,295		1,906,295	2,278,962
Utility connection and availability		2,954,785		2,954,785	3,403,538
Nonproperty taxes	4,028,109			4,028,109	3,756,385
Licenses and permits	3,570,176			3,570,176	3,386,298
Fines and forfeits	402,795			402,795	489,227
Intergovernmental revenues	9,716,896	17,597,319	5,350,630	32,664,845	24,944,012
Charges for services	2,946,324	545,318	8,103,427	11,595,069	11,401,301
Contributions in aid of construction		2,749,763		2,749,763	3,237,156
Interest earnings	468,542	2,701,382	151,402	3,321,326	3,020,843
Net decrease in the fair value of investments	(119,992)	(333,100)	(36,800)	(489,892)	(465,593)
Miscellaneous revenues	249,407	469,449	439,350	1,158,206	1,417,577
Total Revenues	37,934,224	42,249,568	23,649,869	103,833,661	90,786,960
EXPENDITURES					
Current:					
General government	5,403,334			5,403,334	5,100,229
Public safety	27,631,921		35,203	27,667,124	26,002,843
Public works	7,754,287			7,754,287	7,394,724
Airport operations			2,860,315	2,860,315	2,569,762
Transit			2,749,219	2,749,219	2,275,346
Culture	908,396		5,095,972	6,004,368	5,620,173
Park and recreation			10,079,101	10,079,101	9,308,479
Economic development/tourism	1,508,203		1,000,900	2,509,103	2,262,933
Community reinvestment and unallocated	284,907			284,907	196,943
Debt service			1,292,799	1,292,799	3,808,938
Capital outlay		44,461,829		44,461,829	27,672,306
Total Expenditures	43,491,048	44,461,829	23,113,509	111,066,386	92,212,676
Excess (deficiency) of revenues over (under) expenditures	(5,556,824)	(2,212,261)	536,360	(7,232,725)	(1,425,716)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,564,642	6,625,152	555,757	16,745,551	19,070,845
Transfers out	(2,381,960)	(917,352)	(488,073)	(3,787,385)	(6,879,572)
Total other financing sources (uses)	7,182,682	5,707,800	67,684	12,958,166	12,191,273
Net change in fund balances	1,625,858	3,495,539	604,044	5,725,441	10,765,557
Fund Balance - beginning	16,827,964	69,518,205	5,822,623	92,168,792	81,403,235
Fund Balance - ending	\$ 18,453,822	\$ 73,013,744	\$ 6,426,667	\$ 97,894,233	\$ 92,168,792

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, 2005

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

Net change in fund balances - total governmental funds (page 21)	\$	5,725,441
<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-construction improvement	\$	44,461,829
Capital outlay-other governmental funds		756,389
Depreciation expense		<u>(8,648,366)</u>
		36,569,852
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		(6,860,125)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, December 31, 2005	\$	18,844,967
Deferred revenue, December 31, 2004		<u>(14,097,454)</u>
		4,747,513
<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		(954,978)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$	420,979
Change in accrued interest		7,679
Amortization of bond issuance costs		<u>(6,375)</u>
		422,283
<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>1,717,137</u>
Change in net assets of governmental activities (pages 17 and 18)	\$	<u><u>41,367,123</u></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, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 18,003,706	\$ 16,778,374	\$ 16,671,967	\$ (106,407)	\$ 15,437,135
Nonproperty taxes	3,500,000	3,711,110	4,028,109	316,999	3,756,385
Licenses and permits	2,609,789	2,609,789	3,570,176	960,387	3,383,898
Fines and forfeits	447,900	462,747	402,795	(59,952)	489,227
Intergovernmental	7,904,734	9,587,025	9,716,896	129,871	10,554,316
Charges for services	2,476,968	2,595,874	2,946,324	350,450	2,859,920
Interest earnings	357,000	357,002	468,542	111,540	204,442
Net decrease in the fair value of investments			(119,992)	(119,992)	(108,093)
Miscellaneous	117,839	154,723	249,407	94,684	142,794
Total Revenues	<u>35,417,936</u>	<u>36,256,644</u>	<u>37,934,224</u>	<u>1,677,580</u>	<u>36,720,024</u>
EXPENDITURES					
Current:					
General Government:					
Mayor and Council	647,603	697,475	681,682	15,793	647,759
City Administrator	474,918	474,918	470,740	4,178	448,365
Development District Administration	125,438	125,438	120,523	4,915	202,248
City Clerk	249,863	249,863	244,149	5,714	238,924
Elections and Voter Registration	29,171	29,171	63,175	(34,004)	107,234
Finance Department	1,026,987	1,027,386	986,080	41,306	915,851
Information Systems	825,333	825,333	750,808	74,525	621,400
City Attorney	946,585	988,663	982,247	6,416	843,893
Human Resources	705,429	710,537	655,848	54,689	640,807
Planning and Zoning	87,900	112,900	55,445	57,455	84,537
City Hall Maintenance	384,943	404,324	392,637	11,687	349,211
Total General Government	<u>5,504,170</u>	<u>5,646,008</u>	<u>5,403,334</u>	<u>242,674</u>	<u>5,100,229</u>
Public Safety:					
Police Department	14,378,426	14,743,017	14,096,390	646,627	13,172,196
Drug Enforcement Administration	3,700	55,655	39,891	15,764	13,578
Fire Department	10,354,897	10,558,443	10,194,363	364,080	9,648,084
Fire Hazmat Response Team	15,400	114,768	115,100	(332)	112,630
Building Safety	2,394,642	2,395,036	2,354,235	40,801	2,201,989
Animal Control	233,763	233,931	240,611	(6,680)	226,024
Police Reserve					7,121
Flood Control	417,107	430,891	429,390	1,501	405,677
Emergency Mgmt/Safety Council	178,606	178,606	161,941	16,665	163,030
Total Public Safety	<u>27,976,541</u>	<u>28,710,347</u>	<u>27,631,921</u>	<u>1,078,426</u>	<u>25,950,329</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, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Current:					
Public Works:					
Engineering	\$ 2,714,207	\$ 2,721,042	\$ 1,841,547	\$ 879,495	\$ 1,900,341
Traffic Engineer	1,070,257	1,075,797	1,017,875	57,922	910,149
Street and Alley	4,144,640	4,152,211	3,984,707	167,504	3,728,938
City Lighting	843,027	843,027	910,158	(67,131)	855,296
Total Public Works	<u>8,772,131</u>	<u>8,792,077</u>	<u>7,754,287</u>	<u>1,037,790</u>	<u>7,394,724</u>
Culture:					
Art Center/Theatre	210,000	215,000	212,234	2,766	176,000
Music Department	604,926	718,338	696,162	22,176	592,322
Total Culture	<u>814,926</u>	<u>933,338</u>	<u>908,396</u>	<u>24,942</u>	<u>768,322</u>
Economic Development/Tourism	<u>1,290,000</u>	<u>1,697,046</u>	<u>1,508,203</u>	<u>188,843</u>	<u>1,396,397</u>
Community Reinvestment and Unallocated	<u>737,120</u>	<u>742,370</u>	<u>284,907</u>	<u>457,463</u>	<u>196,943</u>
Total Expenditures	<u>45,094,888</u>	<u>46,521,186</u>	<u>43,491,048</u>	<u>3,030,138</u>	<u>40,806,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,676,952)</u>	<u>(10,264,542)</u>	<u>(5,556,824)</u>	<u>4,707,718</u>	<u>(4,086,920)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,710,688	9,715,431	9,564,642	(150,789)	9,018,494
Transfers out	(33,736)	(533,736)	(2,381,960)	(1,848,224)	(2,627,625)
Total other financing sources (uses)	<u>9,676,952</u>	<u>9,181,695</u>	<u>7,182,682</u>	<u>(1,999,013)</u>	<u>6,390,869</u>
Net change in fund balances		(1,082,847)	1,625,858	2,708,705	2,303,949
Fund Balance - beginning	<u>16,827,964</u>	<u>16,827,964</u>	<u>16,827,964</u>		<u>14,524,015</u>
Fund Balance - ending	<u>\$ 16,827,964</u>	<u>\$ 15,745,117</u>	<u>\$ 18,453,822</u>	<u>\$ 2,708,705</u>	<u>\$ 16,827,964</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2005
With Comparative Totals for December 31, 2004

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 93,037	\$ 17,534,171	\$ 1,523,848
Investments	10,512,100		
Accrued interest receivable	67,800	125,421	
Accounts receivable	41,993	8,463,587	637,365
Accrued utility revenues		2,713,482	40,762
Inventory, material, supplies and fuel		7,770,336	332,586
Due from other funds			
Due from other governmental units	936		
Prepaid items		52,220	
Restricted assets		660,387	
Restricted cash		4,201,995	
Other assets			
Total Current Assets	<u>10,715,866</u>	<u>41,521,599</u>	<u>2,534,561</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	4,149,065	14,739,635	1,931,815
Depreciable	26,876,216	202,250,019	96,827,856
Less: Accumulated depreciation	<u>(12,230,723)</u>	<u>(81,802,895)</u>	<u>(22,191,136)</u>
Net capital assets	18,794,558	135,186,759	76,568,535
Deferred charges and other assets		1,189,640	
Total Noncurrent Assets	<u>18,794,558</u>	<u>136,376,399</u>	<u>76,568,535</u>
Total Assets	<u>29,510,424</u>	<u>177,897,998</u>	<u>79,103,096</u>
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	30,308	8,652,872	599,359
Deposits payable	9,580	421,225	
Accrued interest payable		177,195	
Accrued compensation and payroll taxes	9,593	326,121	35,408
Accrued compensated absences	19,025	1,215,692	166,051
Due to other funds	2,542	1,296,243	497,920
Due to other governmental units	32,073	343,394	1,407
Accrued claims			
Unearned revenue		5,994	76,647
Bonds payable		1,750,000	
Other liabilities		320	
Total Current Liabilities	<u>103,121</u>	<u>14,189,056</u>	<u>1,376,792</u>
Noncurrent Liabilities:			
Bonds payable		47,410,000	
Unamortized bond (discount) premium and issue costs		(351,202)	
Accrued compensated absences	35,249	1,003,992	92,014
Accrued claims		123,000	
Unearned lease revenues		883,895	
Total Noncurrent Liabilities	<u>35,249</u>	<u>49,069,685</u>	<u>92,014</u>
Total Liabilities	<u>138,370</u>	<u>63,258,741</u>	<u>1,468,806</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,794,558	90,579,954	76,568,535
Restricted for:			
Service territory acquisitions		660,387	
Unrestricted	10,577,496	23,398,916	1,065,755
Total Net Assets	<u>\$ 29,372,054</u>	<u>\$ 114,639,257</u>	<u>\$ 77,634,290</u>

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

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

Net assets of business-type activities

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2005	2004
		2005	2004		
\$ 209,356	\$ 103,594	\$ 19,464,006	\$ 20,643,049	\$ 1,142,635	\$ 2,829,948
10,265,300	987,300	21,764,700	20,944,528	18,015,200	15,210,387
462,245	6,400	661,866	689,005	116,200	88,500
1,737	194,563	9,339,245	6,578,535		
		2,754,244	2,995,289		
16,175		8,119,097	6,856,078		
1,135,851	278,588	1,414,439	1,199,131		
9,910		10,846	1,490		
		52,220			
		660,387	241,608		
49,153,311		53,355,306	81,250,487		
265		265	704		
<u>61,254,150</u>	<u>1,570,445</u>	<u>117,596,621</u>	<u>141,399,904</u>	<u>19,274,035</u>	<u>18,128,835</u>
39,436,547	929,343	61,186,405	27,395,801		
180,946,304	31,851,727	538,752,122	506,591,955	19,048,475	17,804,219
(73,801,316)	(1,857,405)	(191,883,475)	(179,196,590)	(10,770,684)	(9,899,189)
<u>146,581,535</u>	<u>30,923,665</u>	<u>408,055,052</u>	<u>354,791,166</u>	<u>8,277,791</u>	<u>7,905,030</u>
		1,189,640	709,229		
<u>146,581,535</u>	<u>30,923,665</u>	<u>409,244,692</u>	<u>355,500,395</u>	<u>8,277,791</u>	<u>7,905,030</u>
<u>207,835,685</u>	<u>32,494,110</u>	<u>526,841,313</u>	<u>496,900,299</u>	<u>27,551,826</u>	<u>26,033,865</u>
2,623,303	70,986	11,976,828	8,830,543	41,343	374,785
134,610		565,415	465,580	325,335	485,724
1,726,381		1,903,576	884,310		
100,494	16,660	488,276	458,371	18,450	17,876
193,375	16,849	1,610,992	1,421,647		
163,030	27,223	1,986,958	1,995,069		
5,715	7,658	390,247	363,798	34,418	15,760
				1,675,902	1,748,018
		82,641	176,479		
1,150,000		2,900,000	2,095,000		
		320			
<u>6,096,908</u>	<u>139,376</u>	<u>21,905,253</u>	<u>16,690,797</u>	<u>2,095,448</u>	<u>2,642,163</u>
87,920,000		135,330,000	132,810,000		
5,166,219		4,815,017	5,072,168		
237,253	7,682	1,376,190	1,115,265		
		123,000	149,000	859,094	1,063,558
		883,895	920,314		
<u>93,323,472</u>	<u>7,682</u>	<u>142,528,102</u>	<u>140,066,747</u>	<u>859,094</u>	<u>1,063,558</u>
<u>99,420,380</u>	<u>147,058</u>	<u>164,433,355</u>	<u>156,757,544</u>	<u>2,954,542</u>	<u>3,705,721</u>
52,345,316	30,923,665	269,212,028	218,331,466	8,277,791	7,905,030
		660,387	241,608		
56,069,989	1,423,387	92,535,543	121,569,681	16,319,493	14,423,114
<u>\$ 108,415,305</u>	<u>\$ 32,347,052</u>	<u>362,407,958</u>	<u>340,142,755</u>	<u>\$ 24,597,284</u>	<u>\$ 22,328,144</u>
		(380,051)	(932,054)		
		<u>\$ 362,027,907</u>	<u>\$ 339,210,701</u>		

**CITY OF ROCHESTER, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS**

For the Year Ended December 31, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 3,670,386	\$	\$ 6,520,461
Sales and charges for services, pledged as security for revenue bonds		109,575,608	
Miscellaneous		2,856,794	527,135
Total Operating Revenues	<u>3,670,386</u>	<u>112,432,402</u>	<u>7,047,596</u>
Operating Expenses:			
Purchased power		55,780,898	
Maintenance and operations	2,157,994	33,720,013	4,198,048
Depreciation	987,582	6,081,358	1,945,510
Total Operating Expenses	<u>3,145,576</u>	<u>95,582,269</u>	<u>6,143,558</u>
Operating Income (Loss)	<u>524,810</u>	<u>16,850,133</u>	<u>904,038</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	577		
Interest earnings	278,878	685,922	33,266
Net decrease in the fair value of investments	(69,300)		
Interest and fiscal charges		(2,170,778)	
Gain on disposal of property	353		
Other income (expense)	137	(58,348)	(58,479)
Total Nonoperating Revenues (Expenses)	<u>210,645</u>	<u>(1,543,204)</u>	<u>(25,213)</u>
Income (Loss) Before Transfers and Contributions	735,455	15,306,929	878,825
Capital contributions		6,321	2,677,470
Transfers in	198,819		
Transfers out	(283,904)	(7,546,050)	(338,393)
Change in net assets	650,370	7,767,200	3,217,902
Net Assets - Beginning of Year	<u>28,721,684</u>	<u>106,872,057</u>	<u>74,416,388</u>
Net Assets - End of Year	<u>\$ 29,372,054</u>	<u>\$ 114,639,257</u>	<u>\$ 77,634,290</u>

Amounts reported by business-type activities in the statement of activities (page 21) are different because:

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

Change in net assets of business-type activities

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2005	2004
		2005	2004		
\$	\$	\$ 10,190,847	\$ 9,709,288	\$ 13,371,987	\$ 11,231,026
9,574,696	3,147,056	122,297,360	112,225,438		
633,360	675,219	4,692,508	3,070,600		
<u>10,208,056</u>	<u>3,822,275</u>	<u>137,180,715</u>	<u>125,005,326</u>	<u>13,371,987</u>	<u>11,231,026</u>
		55,780,898	53,787,320		
5,916,334	2,047,395	48,039,784	43,687,596	10,053,259	10,622,547
4,156,114	491,900	13,662,464	11,199,794	1,630,736	1,612,654
<u>10,072,448</u>	<u>2,539,295</u>	<u>117,483,146</u>	<u>108,674,710</u>	<u>11,683,995</u>	<u>12,235,201</u>
135,608	1,282,980	19,697,569	16,330,616	1,687,992	(1,004,175)
			98		
9,219		9,796	9,796		
2,150,486	38,605	3,187,157	1,325,304	475,860	366,488
(210,611)	(7,300)	(287,211)	(207,523)	(117,300)	(103,900)
(4,076,780)		(6,247,558)	(3,019,869)		
310,379		310,732		94,349	13,520
89,851		(26,839)	1,738,514	8,169	3,009
<u>(1,727,456)</u>	<u>31,305</u>	<u>(3,053,923)</u>	<u>(153,680)</u>	<u>461,078</u>	<u>279,117</u>
(1,591,848)	1,314,285	16,643,646	16,176,936	2,149,070	(725,058)
7,924,804	8,604,509	19,213,104	97,859,936	60,052	
	118,500	317,319	461,829	64,520	1,384,766
<u>(5,093,554)</u>	<u>(646,965)</u>	<u>(13,908,866)</u>	<u>(14,037,868)</u>	<u>(4,502)</u>	
1,239,402	9,390,329	22,265,203	100,460,833	2,269,140	659,708
107,175,903	22,956,723			22,328,144	21,668,436
<u>\$ 108,415,305</u>	<u>\$ 32,347,052</u>			<u>\$ 24,597,284</u>	<u>\$ 22,328,144</u>
		552,003	(252,179)		
		<u>\$ 22,817,206</u>	<u>\$ 100,208,654</u>		

**CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 3,654,536	\$ 111,897,918	\$ 6,939,678
Cash received from other City funds		3,764,586	118,390
Cash received from employees			
Cash paid to employees	(286,556)	(15,270,814)	(1,605,196)
Cash paid to suppliers	(1,867,207)	(79,618,803)	(2,980,665)
Other income	137		
Net Cash Provided By Operating Activities	<u>1,500,910</u>	<u>20,772,887</u>	<u>2,472,207</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues	577		
Transfers in	198,819		
Transfers out	(283,904)	(7,515,387)	(336,115)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(84,508)</u>	<u>(7,515,387)</u>	<u>(336,115)</u>
Cash Flows From Capital and Related Financing Activities:			
Capital contributions			
Proceeds from the sale of property	353		
Proceeds from issuance of revenue bonds		5,765,000	
Principal payments on bonds		(1,655,000)	
Interest and fiscal charges on bonds		(2,500,847)	
Issuance costs of revenue bonds			
Facilities and service territory acquisition		(582,343)	
Acquisition of capital assets	(1,296,091)	(11,810,697)	(2,353,369)
Net Cash (Used In) Capital and Related Financing Activities	<u>(1,295,738)</u>	<u>(10,783,887)</u>	<u>(2,353,369)</u>
Cash Flows From Investing Activities:			
Investment income	262,478	670,556	33,266
Service territory escrow payments		(418,780)	
Net (increase) decrease in investments	(1,744,367)		
Net Cash Provided By (Used In) Invested Activities	<u>(1,481,889)</u>	<u>251,776</u>	<u>33,266</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,361,225)	2,725,389	(184,011)
Cash and Cash Equivalents, Beginning of Year	<u>1,454,262</u>	<u>19,010,777</u>	<u>1,707,859</u>
Cash and Cash Equivalents, End of Year	<u>\$ 93,037</u>	<u>\$ 21,736,166</u>	<u>\$ 1,523,848</u>
Classified As:			
Cash and Cash Equivalents	\$ 93,037	\$ 17,534,171	\$ 1,523,848
Restricted Cash		4,201,995	
Total Cash and Cash Equivalents, End of Year	<u>\$ 93,037</u>	<u>\$ 21,736,166</u>	<u>\$ 1,523,848</u>

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2005	2004
		2005	2004		
\$ 10,118,662	\$ 3,655,887	\$ 136,266,681 3,882,976	\$ 122,530,400 3,561,614	\$ 11,376,248 1,995,739	\$ 9,693,416 1,539,146
(2,494,672)	(357,061)	(20,014,299)	(18,854,524)		
(2,354,861)	(1,636,413)	(88,457,949)	(77,289,546)	(10,804,438)	(10,047,046)
89,851		89,988	1,081,448	8,169	3,009
<u>5,358,980</u>	<u>1,662,413</u>	<u>31,767,397</u>	<u>31,029,392</u>	<u>2,575,718</u>	<u>1,188,525</u>
			98		
9,219		9,796	9,796		
	118,500	317,319	461,829	64,520	1,384,766
<u>(5,093,554)</u>	<u>(646,965)</u>	<u>(13,875,925)</u>	<u>(13,998,694)</u>	<u>(4,502)</u>	
<u>(5,084,335)</u>	<u>(528,465)</u>	<u>(13,548,810)</u>	<u>(13,526,971)</u>	<u>60,018</u>	<u>1,384,766</u>
			179,083		
310,379		310,732		96,546	17,658
		5,765,000	89,444,438		
(785,000)		(2,440,000)	(2,214,059)		
(3,301,374)		(5,802,221)	(2,500,758)		
			(149,832)		
		(582,343)	(596,357)		
<u>(29,913,806)</u>	<u>(858,145)</u>	<u>(46,232,108)</u>	<u>(19,256,529)</u>	<u>(1,945,642)</u>	<u>(761,980)</u>
<u>(33,689,801)</u>	<u>(858,145)</u>	<u>(48,980,940)</u>	<u>64,905,986</u>	<u>(1,849,096)</u>	<u>(744,322)</u>
2,212,091	35,901	3,214,292	875,403	448,160	367,786
		(418,780)	(1,017)		
994,681	(357,697)	(1,107,383)	(4,096,159)	(2,922,113)	(1,410,047)
<u>3,206,772</u>	<u>(321,796)</u>	<u>1,688,129</u>	<u>(3,221,773)</u>	<u>(2,473,953)</u>	<u>(1,042,261)</u>
(30,208,384)	(45,993)	(29,074,224)	79,186,634	(1,687,313)	786,708
<u>79,571,051</u>	<u>149,587</u>	<u>101,893,536</u>	<u>22,706,902</u>	<u>2,829,948</u>	<u>2,043,240</u>
<u>\$ 49,362,667</u>	<u>\$ 103,594</u>	<u>\$ 72,819,312</u>	<u>\$ 101,893,536</u>	<u>\$ 1,142,635</u>	<u>\$ 2,829,948</u>
\$ 209,356	\$ 103,594	\$ 19,464,006	\$ 20,643,049	\$ 1,142,635	\$ 2,829,948
49,153,311		53,355,306	81,250,487		
<u>\$ 49,362,667</u>	<u>\$ 103,594</u>	<u>\$ 72,819,312</u>	<u>\$ 101,893,536</u>	<u>\$ 1,142,635</u>	<u>\$ 2,829,948</u>

**CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)**

For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

Reconciliation of Operating Income to Net Cash
Provided By Operating Activities

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Income (Loss)	\$ 524,810	\$ 16,850,133	\$ 904,038
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	987,582	6,081,358	1,945,510
Other income (expense)	137	(13,240)	
Other		142,477	(58,479)
(Increase) Decrease In:			
Accounts receivable	(103)	(2,564,749)	(49,462)
Accrued utility revenues		216,204	24,841
Inventory		(1,132,056)	(125,750)
Due from other funds			
Due from other governmental units	(172)		
Other assets		(99,604)	
Increase (Decrease) In:			
Accounts and contracts payable, operations	(12,277)	1,080,563	(257,002)
Deposits payable	(17,572)	67,407	
Accrued expenses and other liabilities	14,454	319,397	46,818
Unearned revenues		(180,702)	50,766
Accrued claims		(18,000)	(8,000)
Due to other funds	1,997		
Due to other governmental units	2,054	23,699	(1,073)
Net Cash Provided By Operating Activities	\$ 1,500,910	\$ 20,772,887	\$ 2,472,207
Non Cash Transactions Received (Paid):			
Decrease in fair value of investments	\$ 69,300	\$ 6,321	\$ 2,677,470
Receipt of contributed property			

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2005	2004
		2005	2004		
\$ 135,608	\$ 1,282,980	\$ 19,697,569	\$ 16,330,616	\$ 1,687,992	\$ (1,004,175)
4,156,114	491,900	13,662,464	11,199,794	1,630,736	1,612,654
89,851		76,748	1,064,283	8,169	3,009
		83,998	798,956		
(275)	(146,121)	(2,760,710)	213,099		735
		241,045	164,843		
(5,213)		(1,263,019)	(231,638)		
(168,325)	(46,983)	(215,308)	(109,447)		801
(9,184)		(9,356)	9,296		
439		(99,165)	16,224		
991,887	32,330	1,835,501	1,872,852	(333,442)	366,251
50,000		99,835	35,206	(160,389)	(54,620)
85,528	13,978	480,175	(109,683)	574	(28)
		(129,936)	(224,717)		
		(26,000)	(11,000)	(276,580)	263,078
38,390	26,716	67,103	21,663		
(5,840)	7,613	26,453	(10,955)	18,658	820
<u>\$ 5,358,980</u>	<u>\$ 1,662,413</u>	<u>\$ 31,767,397</u>	<u>\$ 31,029,392</u>	<u>\$ 2,575,718</u>	<u>\$ 1,188,525</u>
\$ 210,611	\$ 7,300	\$ 287,211	\$ 207,523	\$ 117,300	\$ 103,900
7,924,804	8,604,509	19,213,104	97,680,781	60,052	

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CITY OF ROCHESTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

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.

Component units are legally separate entities which are fiscally dependent on the primary government or for which the primary government is financially accountable. As of December 31, 2005, there were no entities that met the requirements to be considered a component unit of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the 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 are 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

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. 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.

The City reports the following major governmental funds:

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

The *construction improvement fund* accounts for the financial resources to be used for street, sewer and water, and construction other than that financed by proprietary funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

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 proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, 2005

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, and Net Assets or Equity

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 general purpose 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, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and payables

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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 revenue 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, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and payables (continued)

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 of 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 revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

3. Inventory

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

4. Restricted assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

5. Capital assets

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

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

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 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

6. Utility connection charges

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

7. 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 during the year they would normally be liquidated with expendable available financial resources.

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.

8. 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 assets.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 1: Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

8. Long-term obligations (continued)

Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported separately and amortized over the term of the related debt.

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.

9. Fund equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Comparative Data

The financial statements include certain prior year comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2004 from which the summarized information was derived.

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 which adopts project length budgets.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

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

A. Budgetary Information (continued)

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

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

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 paragraph. 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, 2005 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

Investment Policy

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment Policy (continued)

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.

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by 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 operation. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of purchase. The average weighted maturity of the portfolio should not exceed three (3) years.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

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.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (in years)</u>	<u>Investment Rating as of Year End</u>	
			<u>S&P</u>	<u>MOODY</u>
Commercial Paper	\$ 21,986,118	0.16	A-1/A-1+	P1
Guaranteed Investment Contracts	4,201,995	**	Unrated	Unrated
Short-Term Government Trust	3,669,789	0	AAA	Aaa
Municipal Bond	12,806,108	*	Unrated	Unrated
US Government and Agency Securities:				
Federal Farm Credit Bank	8,835,015	1.96	AAA	Aaa
Federal Home Loan Bank	73,762,202	1.41	AAA	Aaa
Federal Home Loan Mortgage Corporation	33,746,796	1.61	AAA	Aaa
Federal National Mortgage Association	37,762,744	1.11	AAA	Aaa
US Treasury Notes	<u>88,373</u>	1.62	N/A	N/A
Sub-total Investments	196,859,140			
Cash and Deposits	<u>14,474,875</u>			
Total	<u>\$ 211,334,015</u>			

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

**Debt reserve accounts not subject to weighted average maturity policy.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
City of Rochester	Municipal Bonds	\$12,806,108
Federal Home Loan Bank	Federal Agency Securities	73,762,202
Federal Home Loan Mortgage Corporation	Federal Agency Securities	33,746,796
Federal National Mortgage Association	Federal Agency Securities	37,762,744

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, 2005 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 Assets:

Cash and cash equivalents	\$ 27,959,494
Investments	129,986,650
Restricted cash and investments	<u>53,387,871</u>
Total	<u>\$ 211,334,015</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 3: Detailed Notes on All Funds (continued)

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2005 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 157,733	\$ 333,096	\$ 384,109	\$ 78,394	\$ 953,332
Special Revenue	63,116	277,371	98,100	73,796	512,383
Capital Project	3,178,929	2,678,212	260,459		6,117,600
Enterprise		1,120	9,726		10,846
Totals	<u>\$3,399,778</u>	<u>\$3,289,799</u>	<u>\$ 752,394</u>	<u>\$ 152,190</u>	<u>\$7,594,161</u>

Amounts due to other governmental units as of December 31, 2005 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 39,504	\$ 209,598	\$ 3,620	\$ 252,722
Special Revenue	39,876	29,443	59,180	18,821	147,320
Capital Project	185,566	5,941,903	2,530		6,129,999
Enterprise		348,136	42,111		390,247
Internal Service		34,418			34,418
Totals	<u>\$ 225,442</u>	<u>\$6,393,404</u>	<u>\$ 313,419</u>	<u>\$ 22,441</u>	<u>\$6,954,706</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 3: Detailed Notes on All Funds (continued)

C. Restricted Cash and Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts. Balances at December 31, 2005, and descriptions are as follows:

Restricted Cash -

General Fund

Civic Music Endowment:

Rochester Area Foundation Endowment	\$	32,565
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Enterprise Funds

Electric Fund:

Reserve Account		4,201,995
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Sewer Fund:

Waste Water Construction Account		43,708,144
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Waste Water Debt Service Account		5,445,167
----------------------------------	--	-----------

Total		\$ 53,387,871
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Restricted Assets -

Enterprise Funds

Electric Fund:

Territorial Service Acquisitions Escrow	\$	660,387
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The electric utility issued revenue bonds in 2000 and 2002 to fund the construction of electric utility improvements and the sewer utility issued revenue bonds in 2004 to fund the construction of sewer utility improvements. Provisions of these revenue bonds require that the electric and sewer utilities fund debt service accounts in an amount equal to the following years bond principal and interest payments at least by the date the debt payments are due each year. In addition to the debt service account, provisions of the electric utility revenue bonds required that \$3,517,468 of the bond proceeds be deposited in a reserve account to be used to pay bond principal and interest payments if necessary. Under the terms of the revenue bonds, the bond proceeds, net of accrued interest, bond discount, and the reserve requirement, were deposited into a Construction Account to pay all construction-related costs. Any funds remaining in the Construction Account after the payment of these costs must be transferred to a debt service account.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2005 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 47,150,013	\$ 649,262	\$	\$ 47,799,275
Construction in progress	42,512,864	46,046,843	43,884,634	44,675,073
Total capital assets, not being depreciated	<u>89,662,877</u>	<u>46,696,105</u>	<u>43,884,634</u>	<u>92,474,348</u>
Capital assets, being depreciated:				
Buildings	116,124,835	207,205	950,375	115,381,665
Improvements other than buildings	15,013,235	537,892	8,844	15,542,283
Infrastructure	279,247,031	30,073,342		309,320,373
Machinery and equipment	46,808,242	7,033,163	1,948,909	51,892,496
Total capital assets, being depreciated	<u>457,193,343</u>	<u>37,851,602</u>	<u>2,908,128</u>	<u>492,136,817</u>
Less accumulated depreciation for:				
Buildings	39,896,487	3,321,449	748,418	42,469,518
Improvements other than buildings	7,853,110	487,453	8,589	8,331,974
Infrastructure	70,620,917	2,541,486		73,162,403
Machinery and equipment	26,755,730	3,928,714	1,849,638	28,834,806
Total accumulated depreciation	<u>145,126,244</u>	<u>10,279,102</u>	<u>2,606,645</u>	<u>152,798,701</u>
Total capital assets, being depreciated, net	<u>312,067,099</u>	<u>27,572,500</u>	<u>301,483</u>	<u>339,338,116</u>
Governmental activities capital assets, net	<u>\$ 401,729,976</u>	<u>\$ 74,268,605</u>	<u>\$ 44,186,117</u>	<u>\$ 431,812,464</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2005 was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 5,829,574	\$ 1,082,248	\$	\$ 6,911,822
Construction in progress	21,566,227	41,351,612	8,643,256	54,274,583
Total capital assets, not being depreciated	<u>27,395,801</u>	<u>42,433,860</u>	<u>8,643,256</u>	<u>61,186,405</u>
Capital assets, being depreciated:				
Buildings and improvements	235,716,387	18,360,436	851,138	253,225,685
Machinery and equipment	270,875,568	15,897,668	1,246,799	285,526,437
Total capital assets, being depreciated	<u>506,591,955</u>	<u>34,258,104</u>	<u>2,097,937</u>	<u>538,752,122</u>
Less accumulated depreciation for:				
Buildings and improvements	86,939,168	5,505,801	35,094	92,409,875
Machinery and equipment	92,257,422	8,156,663	940,485	99,473,600
Total accumulated depreciation	<u>179,196,590</u>	<u>13,662,464</u>	<u>975,579</u>	<u>191,883,475</u>
Total capital assets, being depreciated, net	<u>327,395,365</u>	<u>20,595,640</u>	<u>1,122,358</u>	<u>346,868,647</u>
Business-type activities capital assets, net	<u>\$ 354,791,166</u>	<u>\$ 63,029,500</u>	<u>\$ 9,765,614</u>	<u>\$ 408,055,052</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 574,931
Public safety	712,061
Public works	2,213,161
Airport operations	1,215,828
Transit	547,358
Culture	881,008
Park and recreation	2,501,489
Economic development/tourism	562
Community reinvestment/unallocated	1,968
Internal Service Funds:	
Equipment revolving	1,557,700
Information technology	<u>73,036</u>

Total depreciation expense - governmental activities	<u><u>\$ 10,279,102</u></u>
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Business-Type Activities:

Parking	\$ 987,582
Electric utility	6,081,358
Water utility	1,945,510
Sewer utility	4,156,114
Storm water utility	<u>491,900</u>

Total depreciation expense - business-type activities	<u><u>\$ 13,662,464</u></u>
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**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

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, 2005, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General	\$ 662,766	\$ 347,086
Construction improvements	472,455	697
Subtotal	1,135,221	347,783
Other Governmental Funds:		
Special Revenue -		
Library	15,666	11,340
Municipal recreation system		161,625
Airport operations		41,954
Community development projects		15,666
Subtotal	15,666	230,585
Total Governmental Funds	1,150,887	578,368
Proprietary Funds:		
Enterprise -		
Parking		2,542
Electric utility		1,296,243
Water utility		497,920
Sewer utility	1,135,851	163,030
Storm water utility	278,588	27,223
Total Proprietary Funds	1,414,439	1,986,958
Total All Funds	\$ 2,565,326	\$ 2,565,326

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

The amounts advanced to and advanced from other funds as of December 31, 2005, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
Capital Project -		
Construction improvements	\$ 1,290,060	\$
Other Governmental Funds:		
Special Revenue -		
Municipal recreation system		1,290,060
Total Governmental Funds	<u>\$ 1,290,060</u>	<u>\$ 1,290,060</u>

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

Transfers during the year ended December 31, 2005 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 9,564,642	\$ 2,381,960
Special Revenue	498,222	488,073
Debt Service	57,535	
Capital Project	6,625,152	917,352
Enterprise	317,319	13,908,866
Internal Service	64,520	4,502
Totals	17,127,390	17,700,753
Transfer of governmental capital assets:		
From Proprietary Funds to governmental capital assets	<u>573,363</u>	
Total Transfers	<u>\$ 17,700,753</u>	<u>\$ 17,700,753</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

In the government-wide statement of net assets, transfers in/out of \$8,324,956 are comprised of the sewer and storm water utility networks assets and developer contributions of \$5,266,591 transferred from governmental activities to business-type activities net of \$13,591,547 in transfers from business-type activities to governmental activities.

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, 2005 totaled \$151,894.

Following is a schedule by years of future minimum rental payments required under operating leases that have remaining non-cancelable lease terms in excess of one year. All scheduled rent increases are intended to cover inflationary increases in costs.

Years ending December 31:	
2006	\$ 33,479
2007	34,483
2008	35,518
2009	36,583
2010	37,681
2011	38,811

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2005, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/05
General Obligation Bonds:				
Taxable Tax Increment Bonds				
District 7, Series 1997	\$ 2,669,380	5.5%	2024	\$ 2,547,435
General Obligation Revenue Bonds:				
Taxable Sales Tax Revenue				
Bond of 2000	10,458,673	6.35%	2010	10,258,673
Wastewater Treatment Plant				
Refunding Bonds, Series 2001A	8,275,000	3.5-4.0%	2011	5,335,000
Wastewater Treatment Plant				
Revenue Bonds, Series 2004A	83,735,000	3.0-5.0%	2026	83,735,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2000	37,290,000	4.75-5.25%	2030	34,135,000
Electric Utility Revenue				
Bonds, Series 2002	11,275,000	3.0-4.5%	2017	9,605,000
Revenue Note:				
Electric Utility				
Note, Series 2005	5,765,000	3.98%	2014	5,420,000
Notes Payable:				
GO Sales Tax Revenue Note of 2001	2,500,000	2.83%	2021	2,188,000
Airport Hangar - 1998	175,200	0%	2008	39,327
Airport Hangar - 1999	184,729	0%	2010	73,891
Airport Hangar - 2001	215,301	0%	2012	143,534
Compensated absences				10,469,734
Less: Unamortized premium and issuance costs				<u>4,802,037</u>
Total Long-term Debt				<u><u>\$ 168,752,631</u></u>

Liquidation of the compensated absences liability occurs within the department and fund for which the corresponding employees are assigned.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

In 1997, the City issued Taxable Tax Increment Bonds, District 7 totaling \$2,669,380. These bonds are structured without fixed principal maturities. Payments are equal to the amount of available tax increments received by the City within the six month period preceding each payment date. These bonds are backed by the full faith, credit, and taxing power of the City and are serviced by a Debt Service Fund.

General Obligation Taxable Sales Tax Revenue Bonds

In 2000, the City authorized Taxable Sales Tax Revenue Bonds of \$10,458,673. These bonds are structured without fixed principal maturities. The bonds are payable from revenues derived from the City's local 0.5% sales and use tax, and are backed by the full faith, credit, and taxing power of the City and are serviced by a Debt Service Fund.

General Obligation Revenue Refunding and Revenue Bonds

General Obligation Revenue Refunding and 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.

Revenue Bonds and Notes

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

General Obligation Sales Tax Revenue Note

In 2001, the City authorized the issuance of a \$2,500,000 General Obligation Sales Tax Revenue Note to finance the construction of transportation infrastructure improvements. The funds were advanced under this note in 2002. The note is payable from revenues derived from the City's local 0.5% sales and use tax, and are backed by the full faith, credit, and taxing power of the City and are serviced by a Debt Service Fund.

Notes Payable

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures and note agreements and the City remains in substantial compliance with these requirements. The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Taxable Tax Increment Bonds, District 7, Series 1997	\$ 2,603,879	\$	\$ 56,444	\$ 2,547,435	\$
Taxable Sales Tax Revenue Bonds, Series 2000	10,458,673		200,000	10,258,673	
GO Sales Tax Revenue Note of 2001	2,295,000		107,000	2,188,000	110,000
Note Payable:					
Airport Hangar 1998	56,859		17,532	39,327	17,532
Airport Hangar 1999	92,364		18,473	73,891	18,473
Airport Hangar 2001	165,064		21,530	143,534	21,530
Less: Unamortized Issuance Costs	(19,355)		(6,375)	(12,980)	
Other Liabilities:					
Compensated Absences	6,520,625	4,633,150	3,671,223	7,482,552	4,600,000
Governmental Activities					
Long-term Liabilities	<u>22,173,109</u>	<u>4,633,150</u>	<u>4,085,827</u>	<u>22,720,432</u>	<u>4,767,535</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant - Revenue Refunding Bonds, Series 2001A	6,120,000		785,000	5,335,000	820,000
Revenue Bonds, Series 2004A	83,735,000			83,735,000	330,000
Revenue Bonds:					
Electric Utility Revenue Bonds - Series 2000	34,825,000		690,000	34,135,000	725,000
Series 2002	10,225,000		620,000	9,605,000	640,000
Revenue Note:					
Electric Utility Note of 2005		5,765,000	345,000	5,420,000	385,000
Less: Unamortized (Discount) Premium	5,072,168		257,151	4,815,017	
Other Liabilities:					
Compensated Absences	2,536,912	450,270		2,987,182	1,610,992
Business-type Activities					
Long-term Liabilities	<u>142,514,080</u>	<u>6,215,270</u>	<u>2,697,151</u>	<u>146,032,199</u>	<u>4,510,992</u>
Total	<u>\$ 164,687,189</u>	<u>\$ 10,848,420</u>	<u>\$ 6,782,978</u>	<u>\$ 168,752,631</u>	<u>\$ 9,278,527</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2005, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Revenue Bonds*		Revenue Bonds and Note		Other	
	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>						
2006					\$ 167,535	\$ 61,920
2007					170,535	58,808
2008					160,266	55,610
2009					177,535	52,326
2010-2014					552,881	174,470
2015-2019					728,000	132,019
2020-2022					488,000	27,875
Totals					<u>\$ 2,444,752</u>	<u>\$ 563,028</u>
<u>Business-Type Activities</u>						
2006	\$ 1,150,000	\$ 4,298,225	\$ 1,750,000	\$ 2,331,610		
2007	1,770,000	4,250,475	1,840,000	2,262,825		
2008	1,815,000	4,193,075	1,950,000	2,187,720		
2009	1,865,000	4,132,345	2,065,000	2,103,572		
2010-2014	11,690,000	19,380,870	10,485,000	7,488,655		
2015-2019	25,690,000	14,586,750	9,525,000	6,979,520		
2020-2024	31,670,000	7,452,250	7,405,000	4,916,744		
2025-2029	13,420,000	645,250	9,575,000	2,757,564		
2030			4,565,000	362,512		
Totals	<u>\$ 89,070,000</u>	<u>\$ 58,939,240</u>	<u>\$ 49,160,000</u>	<u>\$ 31,390,722</u>		

*Does not include the General Obligation Taxable Tax Increment Bonds, District No. 7, Series 1997 and the General Obligation Taxable Sales Tax Revenue Bond of 2000 which are structured without fixed principal maturities.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2005, the City had not utilized any of its net legal debt margin which totaled \$140,741,352.

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 \$1,101,833,000 and the balance outstanding at December 31, 2005 totals \$1,096,855,496.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

Pursuant to Minnesota Statutes (Section 273.74, Subd. 6) the City is required to disclose information related to its tax increment districts. These districts represent legal boundaries that allow the City to retain all incremental growth in assessed values.

District No.	Development District	Type of District	Date Created	Duration of District
2-2	2	Redevelopment	May 6, 2002	25 Years following receipt of first increment
3-1	3	Redevelopment	February 14, 1988	25 Years following receipt of first increment
3-2	3	Housing	June 5, 1989	25 Years following receipt of first increment
6-1	6	Housing	September 7, 1994	To February 1, 2014
7-1	7	Redevelopment	January 22, 1997	25 Years following receipt of first increment
8-1	8	Economic	April 7, 1997	11 Years from approval of TIF plan
11-1	11	Housing	July 19, 1999	25 Years following receipt of first increment
12-1	12	Housing	August 16, 1999	25 Years following receipt of first increment
13-1	13	Housing	October 18, 1999	25 Years following receipt of first increment
14-1	14	Housing	November 1, 1999	25 Years following receipt of first increment
15-1	15	Housing	April 17, 2000	25 Years following receipt of first increment
16-1	16	Redevelopment	July 17, 2000	25 Years following receipt of first increment
17-1	17	Housing	September 6, 2000	25 Years following receipt of first increment
18-1	18	Housing	September 6, 2000	25 Years following receipt of first increment
19-1	19	Housing	September 6, 2000	25 Years following receipt of first increment
20-1	20	Housing	October 1, 2001	25 Years following receipt of first increment
21-1	21	Housing	October 15, 2001	25 Years following receipt of first increment
22-1	22	Housing	November 5, 2001	25 Years following receipt of first increment
23-1	23	Housing	June 3, 2002	25 Years following receipt of first increment
24-1	24	Housing	July 15, 2002	25 Years following receipt of first increment
25-1	25	Housing	October 21, 2002	25 Years following receipt of first increment
26-1	26	Housing	July 21, 2003	25 Years following receipt of first increment
27-1	27	Housing	July 21, 2003	25 Years following receipt of first increment
28-1	28	Housing	October 20, 2003	25 Years following receipt of first increment
29-1	29	Housing	February 2, 2004	25 Years following receipt of first increment
30-1	30	Housing	May 17, 2004	25 Years following receipt of first increment
31-1	31	Housing	November 1, 2004	25 Years following receipt of first increment

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

Tax Increment District No. 2 was created pursuant to Minnesota Statutes Chapter 472A. All other Tax Increment Districts were created pursuant to Minnesota Statutes Chapter 469.

	Tax Increment District		
	No. 2-2	No. 3-1	No. 3-2
Original net tax capacity	\$ 18,190	\$ 39,538	\$ 833
Current net tax capacity	147,196	108,372	15,569
Captured net tax capacity:			
Retained by authority	129,006	68,834	14,736
Shared with other taxing districts	-	-	-
Total general obligation tax increment bonds issued	-	-	-
Amounts redeemed	-	-	-
Outstanding bonds at December 31, 2005	-	-	-

	Tax Increment District			
	No. 6-1	No. 7-1	No. 8-1	No. 11-1
Original net tax capacity	\$ 139	\$ 3,921	\$ 1,094	\$ 3,344
Current net tax capacity	16,766	300,778	29,018	20,941
Captured net tax capacity:				
Retained by authority	16,627	296,857	27,924	17,597
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	2,669,380	-	-
Amounts redeemed	-	121,945	-	-
Outstanding bonds at December 31, 2005	-	\$ 2,547,435	-	-

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

	Tax Increment District			
	No. 12-1	No. 13-1	No. 14-1	No. 15-1
Original net tax capacity	\$ 150	\$ 249	\$ 336	\$ 206
Current net tax capacity	11,627	84,583	79,143	48,299
Captured net tax capacity:				
Retained by authority	11,477	84,334	78,807	48,093
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-
Amounts redeemed	-	-	-	-
Outstanding bonds at December 31, 2005	-	-	-	-
	Tax Increment District			
	No. 16-1	No. 17-1	No. 18-1	No. 19-1
Original net tax capacity	\$ 410	\$ 75	\$ 179	\$ 96
Current net tax capacity	14,792	35,120	38,851	32,666
Captured net tax capacity:				
Retained by authority	14,382	35,045	38,672	32,570
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-
Amounts redeemed	-	-	-	-
Outstanding bonds at December 31, 2005	-	-	-	-

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

	Tax Increment District			
	No. 20-1	No. 21-1	No. 22-1	No. 23-1
Original net tax capacity	\$ 134	\$ 542	\$ 450	\$ 24
Current net tax capacity	28,510	30,618	33,206	16,310
Captured net tax capacity:				
Retained by authority	28,376	30,076	32,756	16,286
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-
Amounts redeemed	-	-	-	-
Outstanding bonds at December 31, 2005	-	-	-	-
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	Tax Increment District			
	No. 24-1	No. 25-1	No. 26-1	No. 27-1
Original net tax capacity	\$ 2,008	\$ 289	\$ 4,840	\$ 3,500
Current net tax capacity	23,718	29,635	27,500	13,137
Captured net tax capacity:				
Retained by authority	21,710	29,346	22,660	9,637
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-
Amounts redeemed	-	-	-	-
Outstanding bonds at December 31, 2005	-	-	-	-
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**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

	Tax Increment District			
	No. 28-1	No. 29-1	No. 30-1	No. 31-1
Original net tax capacity	\$ 56	\$ 1,608	\$ 401	\$ 1,851
Current net tax capacity	590	1,608	401	1,851
Captured net tax capacity:				
Retained by authority	534	-	-	-
Shared with other taxing districts	-	-	-	-
Total general obligation tax increment bonds issued	-	-	-	-
Amounts redeemed	-	-	-	-
Outstanding bonds at December 31, 2005	-	-	-	-

I. Designated Fund Balance

Designated fund balance represents the portion which is based on tentative future spending plans. Fund balance has been designated at December 31, 2005 in the following funds:

General Fund

Designated:

Subsequent years' appropriations	\$ 912,661
General contingency for future compensated absences	<u>5,754,172</u>

Totals \$ 6,666,833

Special Revenue Funds

	Law			Totals
	Library	Municipal Recreation	Enforcement Block Grants	
Designated:				
Subsequent years' appropriations	\$ 304,705	\$ 49,844	\$ 41,797	\$ 396,346
General contingency for future compensated absences	<u>459,958</u>	<u>911,711</u>	-	<u>1,371,669</u>
Totals	<u>\$ 764,663</u>	<u>\$ 961,555</u>	<u>\$ 41,797</u>	<u>\$ 1,768,015</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 3: Detailed Notes on All Funds (continued)

J. Restricted Net Assets

	<u>Restricted Net Assets Imposed By</u>		
	<u>Grantors</u>	<u>Contributors</u>	<u>Legally Enforceable</u>
<u>Major Governmental Funds:</u>			
General Fund:			
Civic Music Endowment	\$	\$ 32,565	\$
Construction Improvement Fund:			
Flood Control	22,345,524		
Sales Tax Authorized Projects			12,146,875
<u>Nonmajor Governmental Funds:</u>			
Special Revenue Funds:			
CDBG Loans	3,270,151		
Airport Operations			4,015,170
Total Governmental Activities	<u>25,615,675</u>	<u>32,565</u>	<u>16,162,045</u>
<u>Major Proprietary Funds:</u>			
Sewer Utility Fund:			
Debt Service			
Bond Requirements			
Electric Utility Fund:			
Service Territory Acquisitions			660,387
Total Business-Type Activities			<u>660,387</u>
Total Restricted Net Assets	<u>\$ 25,615,675</u>	<u>\$ 32,565</u>	<u>\$ 16,822,432</u>

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.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

The City maintains a self-insurance program for employee group health coverage and worker's compensation. The City has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program the Self-Insurance Fund provides coverage for up to a maximum of \$225,000 per group health claim (with a variable annual aggregate) and \$720,000 for each worker's compensation claim.

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$2,534,996 reported in the Fund at December 31, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are based on the estimated ultimate cost of settling claims, including specific and incremental expenses, salvage, and subrogation. The claim liability does not include other allocated or unallocated claim adjustment expenses.

Changes in the Fund's claims liability amount during the years ended December 31, 2005 and 2004 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2005	\$2,811,576	\$ 8,231,625	\$(8,508,205)	\$2,534,996
2004	2,548,498	9,374,439	(9,111,361)	\$2,811,576

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005**

NOTE 4: Other Information (continued)

B. Commitments

Power Purchase Agreement:

Rochester Public Utilities ("Utility") has entered into a power purchase agreement with Southern Minnesota Municipal Power Agency ("Agency"). Under the terms of the agreement the Agency provided virtually all Utility power requirements through 1999. In 1999, the Utility and Agency agreed to a contract rate of delivery (CROD) beginning in 2000. The CROD caps the amount of power the Agency must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The contract expires in the year 2030.

Power Generation Agreement:

In 1992 Rochester Public Utilities ("Utility") entered into an agreement with the Minnesota Municipal Power Agency ("MMPA") to sell a maximum of 100 megawatts of power annually to MMPA beginning July 1, 1995, at a fixed rate. Under the terms of the agreement, the Utility is paid a fixed fee for providing the availability of generating capacity and is reimbursed for the fuel-related costs of generating power.

Construction and Equipment Purchase Commitments:

The City has active construction projects and equipment purchase commitments as of December 31, 2005. At year end the City's commitments with contractors and vendors is as follows:

<u>Construction Projects</u>	<u>Remaining Commitment</u>
Major Street Projects	\$ 2,126,227
Sewer and Water Projects	12,589,976
Sidewalk Projects	72,675
Traffic Projects	34,439
Storm Water Projects	83,645
Storm Water / Storm Sewer Projects	53,101
Water Reclamation Projects	29,905,706
Airport Projects	1,411,972
Parks Projects - Various	2,708,746
Recreation Projects - Soldiers Field	51,794
Recreation Center Projects - Air Quality Improvement	1,646
Total Construction Projects	<u>\$ 49,039,927</u>
 <u>Equipment Purchase Commitments</u>	
General Government Land and Buildings - Incident Command Vehicle	\$ 5,321
General Government Land and Buildings - City Wide Area Network	10,042
General Government Land and Buildings - Building Permit Software	143,885
Equipment Revolving - Fire Tanker/Pumper	245,142
Equipment Revolving - Two Dump Trucks	146,090
Total Equipment Purchase Commitments	<u>\$ 550,480</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4: Other Information (continued)

C. Contingent Liabilities

General Litigation:

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

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, 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, 2005, 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.

SMMPA Litigation:

In 2005, the City's municipal utility, Rochester Public Utilities (RPU), brought a claim against Southern Minnesota Municipal Power Agency (SMMPA) its primary wholesale power supplier, seeking a declaratory judgment that with respect to RPU's election of a "contract rate of delivery (CROD)" in 1999, RPU is not obligated to pay the capital costs of new generating resources. RPU also alleged breach of contract related to the process by which SMMPA establishes its rates and the possibility that SMMPA might have overcollected costs through rates charged to RPU (and others) under the Power Sales Contract since 2003.

SMMPA has filed a counterclaim alleging that RPU's steam sale agreement with the Mayo Clinic represents a breach of a 1992 "Settlement Agreement" concerning the use of RPU's Silver Lake Plant. SMMPA also filed counterclaims for declaratory judgment on issues relating to the nature of RPU's obligations under the Power Sales Contract.

No provision for gain or loss related to RPU's claims or SMMPA's counterclaims have been recorded in the accompanying financial statements as it is not possible to predict or determine the outcome of this litigation.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4: Other Information (continued)

D. Deferred Compensation

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

E. Employee Retirement Systems

The City participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two cost-sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026. The following disclosures are made in accordance with Statement No. 27 of the Governmental Accounting Standards Board:

1. Cost-Sharing Multiple-Employer
Defined Benefit Pension Plans - Statewide
Public Employees Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City of Rochester are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

A. Plan Description (continued)

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year.

The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age for unreduced Social security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree -- no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10% respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan will increase in 2006 to 5.5%. PEPFF members are required to contribute 6.20% of their annual covered salary in 2005. That rate will increase to 7.0% in 2006. The City of Rochester is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.30% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.0% and 10.5% respectively, effective January 1, 2006. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2005, 2004, and 2003 were \$1,871,477, \$1,782,126, and \$1,742,618, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2005, 2004, and 2003 were \$1,335,317, \$1,289,118, and \$1,311,160, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

F. Prior Period Adjustment

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments with their financial statements for the period ended December 31, 2002. For the year ended December 31, 2005 the City is retroactively reporting the street network and flood control infrastructure assets as required by this statement. As a result of capitalizing the street network and flood control infrastructure , the City has now capitalized all infrastructure assets as required by GASB No. 34.

The prior period adjustment for the governmental activities includes \$157,341,351 for the street network and flood control infrastructure assets.

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CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2005

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CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2005

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.

Law Enforcement Block Grants 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.

Community Development Projects Fund:

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

DEBT SERVICE FUNDS

Tax Increment Bonds Fund:

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

Airport Hangar Construction Notes Fund:

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

Sales Tax Revenue Bonds Fund:

This fund is used to account for the accumulation of revenue (sales tax revenue) for payment of the General Obligation Sales Tax Revenue Bonds of 2000.

Transportation Sales Tax Note Fund:

This fund is used to account for the accumulation of resources (sales tax revenue) for payment of the 2001 general obligation sales tax revenue note.

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

December 31, 2005
With Comparative Totals for December 31, 2004

	Special Revenue					
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	Transit
ASSETS						
Cash and cash equivalents	\$ 97,590	\$ 635,265	\$ 42,135	\$ 182,005	\$ 5,794	\$ 51,803
Investments	1,283,800	1,875,400		2,319,500	296,500	394,400
Accrued interest receivable	8,300	12,100		15,000	1,900	2,500
Accounts receivable (net of allowance for uncollectibles)	259	340,897		1,068,436	129	18,932
Loans receivable						
Taxes receivable delinquent	34,015	35,998		6,260		422
Special assessments receivable delinquent		430				
Due from other funds	15,666					
Due from other governmental units	30,792	132,540		135,709		166,072
Prepaid items	6,510	6,603				
TOTAL ASSETS	\$ 1,476,932	\$ 3,039,233	\$ 42,135	\$ 3,726,910	\$ 304,323	\$ 634,129
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 57,166	\$ 111,076	\$ 194	\$ 199,950	\$ 1,977	\$ 191,850
Deposits payable	6,816	131,371				
Accrued compensation and payroll taxes	137,877	188,763				52
Accrued compensated absences	13,077	27,282				119
Due to other funds	11,340	161,625		41,954		
Due to other governmental units	8,957	98,307	144	39,876		36
Advances from other funds		1,290,060				
Deferred revenue	34,015	36,428		6,261		422
Total Liabilities	269,248	2,044,912	338	288,041	1,977	192,479
Fund Balance:						
Reserved for prepaid items	6,510	6,603				
Reserved for encumbrances		26,086				
Unreserved:						
Designated for future compensated absences	459,958	911,711				
Designated for subsequent years' appropriations	304,705	49,844	41,797			
Undesignated	436,511	77		3,438,869	302,346	441,650
Total Fund Balance	1,207,684	994,321	41,797	3,438,869	302,346	441,650
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,476,932	\$ 3,039,233	\$ 42,135	\$ 3,726,910	\$ 304,323	\$ 634,129

Community Development Projects	Total	Debt Service				Total	Total Nonmajor Governmental Funds	
		Tax Increment Bonds	Airport Hangar Construction Notes	Sales Tax Revenue Bonds	Transportation Sales Tax Note		2005	2004
\$	\$ 1,014,592	\$	\$	\$	\$	\$	\$ 1,014,592	\$ 1,407,437
	6,169,600						6,169,600	5,672,217
	39,800						39,800	33,000
	1,428,653						1,428,653	1,307,435
3,270,151	3,270,151						3,270,151	2,987,696
	76,695						76,695	81,108
	430						430	1,374
	15,666						15,666	20,815
47,270	512,383						512,383	314,317
	13,113						13,113	10,385
<u>\$ 3,317,421</u>	<u>\$ 12,541,083</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 12,541,083</u>	<u>\$ 11,835,784</u>
\$ 31,604	\$ 593,817	\$	\$	\$	\$	\$	\$ 593,817	\$ 583,588
	138,187						138,187	149,491
	326,692						326,692	302,497
	40,478						40,478	41,168
15,666	230,585						230,585	236,569
	147,320						147,320	159,707
	1,290,060						1,290,060	1,469,963
3,270,151	3,347,277						3,347,277	3,070,178
3,317,421	6,114,416						6,114,416	6,013,161
	13,113						13,113	10,385
	26,086						26,086	47,659
	1,371,669						1,371,669	1,183,001
	396,346						396,346	411,608
	4,619,453						4,619,453	4,169,970
	6,426,667						6,426,667	5,822,623
<u>\$ 3,317,421</u>	<u>\$ 12,541,083</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 12,541,083</u>	<u>\$ 11,835,784</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Special Revenue					
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	
REVENUES						
General property taxes	\$ 3,702,328	\$ 3,955,821	\$	\$ 693,785	\$	\$ 54,662
Tax increments						
Sales tax						
Intergovernmental revenues	1,074,720	348,651	51,551	330,431		2,548,942
Charges for services	160,077	5,295,125		2,586,231		61,994
Interest earnings	16,594	40,039	304	70,478	7,986	16,001
Net decrease in the fair value of investments	(6,700)	(9,300)		(17,400)	(1,300)	(2,100)
Miscellaneous revenues	142,923	75,000		24,751	11,170	49,558
Total Revenues	<u>5,089,942</u>	<u>9,705,336</u>	<u>51,855</u>	<u>3,688,276</u>	<u>17,856</u>	<u>2,729,057</u>
EXPENDITURES						
Culture	5,095,972					
Park and recreation		10,061,749			17,352	
Public safety			35,203			
Airport operations				2,860,315		
Transit						2,749,219
Economic development/tourism						
Debt service						
Total Expenditures	<u>5,095,972</u>	<u>10,061,749</u>	<u>35,203</u>	<u>2,860,315</u>	<u>17,352</u>	<u>2,749,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,030)</u>	<u>(356,413)</u>	<u>16,652</u>	<u>827,961</u>	<u>504</u>	<u>(20,162)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		461,407		36,815		
Transfers out	(17,300)			(338,461)	(929)	
Total Other Financing Sources (Uses)	<u>(17,300)</u>	<u>461,407</u>		<u>(301,646)</u>	<u>(929)</u>	
Net change in fund balances	<u>(23,330)</u>	<u>104,994</u>	<u>16,652</u>	<u>526,315</u>	<u>(425)</u>	<u>(20,162)</u>
Fund Balances - beginning	1,231,014	889,327	25,145	2,912,554	302,771	461,812
Fund Balances - ending	<u>\$ 1,207,684</u>	<u>\$ 994,321</u>	<u>\$ 41,797</u>	<u>\$ 3,438,869</u>	<u>\$ 302,346</u>	<u>\$ 441,650</u>

Community Development Projects	Total	Tax Increment Bonds	Airport Hangar Construction Notes	Debt Service		Total	Total Nonmajor Governmental Funds	
				Sales Tax Revenue Bonds	Transportation Sales Tax Note		2005	2004
\$	\$8,406,596	\$	\$	\$	\$	\$	\$8,406,596	\$ 7,597,229
		199,190				199,190	199,190	1,311,008
996,335	5,350,630			864,126	171,948	1,036,074	1,036,074	171,892
	8,103,427						5,350,630	4,680,705
	151,402						8,103,427	8,021,916
	(36,800)						151,402	123,015
135,948	439,350						(36,800)	(37,700)
<u>1,132,283</u>	<u>22,414,605</u>	<u>199,190</u>		<u>864,126</u>	<u>171,948</u>	<u>1,235,264</u>	<u>439,350</u>	<u>432,288</u>
							<u>23,649,869</u>	<u>22,300,353</u>
	5,095,972						5,095,972	4,851,851
	10,079,101						10,079,101	9,308,479
	35,203						35,203	52,514
	2,860,315						2,860,315	2,569,762
	2,749,219						2,749,219	2,275,346
1,000,900	1,000,900						1,000,900	866,536
		199,190	57,535	864,126	171,948	1,292,799	1,292,799	3,808,938
<u>1,000,900</u>	<u>21,820,710</u>	<u>199,190</u>	<u>57,535</u>	<u>864,126</u>	<u>171,948</u>	<u>1,292,799</u>	<u>23,113,509</u>	<u>23,733,426</u>
131,383	593,895		(57,535)			(57,535)	536,360	(1,433,073)
(131,383)	498,222		57,535			57,535	555,757	2,712,029
	(488,073)						(488,073)	(839,593)
(131,383)	10,149		57,535			57,535	67,684	1,872,436
	604,044						604,044	439,363
	5,822,623						5,822,623	5,383,260
<u>\$</u>	<u>\$6,426,667</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$6,426,667</u>	<u>\$ 5,822,623</u>

CITY OF ROCHESTER, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 3,998,400	\$ 3,726,266	\$ 3,702,328	\$ (23,938)	\$ 3,555,104
Intergovernmental	775,300	1,071,217	1,074,720	3,503	957,140
Charges for services	151,800	151,800	160,077	8,277	148,386
Interest earnings		5,979	16,594	10,615	16,006
Net decrease in the fair value of investments			(6,700)	(6,700)	(8,500)
Miscellaneous					
Contributions		128,418	134,600	6,182	118,025
Other	6,500	6,499	8,323	1,824	9,233
Total Revenues	<u>4,932,000</u>	<u>5,090,179</u>	<u>5,089,942</u>	<u>(237)</u>	<u>4,795,394</u>
EXPENDITURES					
Public Library	4,932,000	5,018,603	4,980,852	37,751	4,598,337
Library - SELCO		69,559	24,992	44,567	26,866
Gifts appropriations		335,096	90,128	244,968	226,648
Total Expenditures	<u>4,932,000</u>	<u>5,423,258</u>	<u>5,095,972</u>	<u>327,286</u>	<u>4,851,851</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(333,079)</u>	<u>(6,030)</u>	<u>327,049</u>	<u>(56,457)</u>
OTHER FINANCING USES					
Transfers out			<u>(17,300)</u>	<u>(17,300)</u>	
Net change in fund balances		<u>(333,079)</u>	<u>(23,330)</u>	<u>309,749</u>	<u>(56,457)</u>
Fund Balances - beginning	<u>1,231,014</u>	<u>1,231,014</u>	<u>1,231,014</u>		<u>1,287,471</u>
Fund Balances - ending	<u>\$ 1,231,014</u>	<u>\$ 897,935</u>	<u>\$ 1,207,684</u>	<u>\$ 309,749</u>	<u>\$ 1,231,014</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, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 4,275,250	\$ 3,984,257	\$ 3,955,821	\$ (28,436)	\$ 3,345,145
Intergovernmental	23,078	314,071	348,651	34,580	311,369
Charges for services	5,323,056	5,327,931	5,295,125	(32,806)	5,415,854
Interest earnings	60,000	60,000	40,039	(19,961)	40,611
Net decrease in the fair value of investments			(9,300)	(9,300)	(13,300)
Miscellaneous					
Contributions	20,100	33,460	36,536	3,076	59,313
Other	28,050	29,961	38,464	8,503	24,575
Total Revenues	<u>9,729,534</u>	<u>9,749,680</u>	<u>9,705,336</u>	<u>(44,344)</u>	<u>9,183,567</u>
EXPENDITURES					
Administration	407,774	408,341	391,360	16,981	375,699
Recreation Department	557,943	566,328	575,489	(9,161)	550,471
Golf	1,353,885	1,363,753	1,369,660	(5,907)	1,317,079
Tennis Center	46,113	46,113	50,983	(4,870)	37,898
Volleyball Center	240,342	240,342	251,679	(11,337)	256,077
Swimming Pools	192,458	192,458	188,642	3,816	178,223
Graham Arenas	441,624	441,624	460,768	(19,144)	420,145
Park	3,113,770	3,132,888	3,099,384	33,504	2,779,317
Plummer House	59,626	60,381	70,598	(10,217)	60,664
Recreation Center	1,151,790	1,151,790	1,240,923	(89,133)	1,138,193
UCR Field House	107,380	107,380	118,413	(11,033)	112,005
Mayo Civic Center	2,056,829	2,086,366	2,243,850	(157,484)	2,082,708
Total Expenditures	<u>9,729,534</u>	<u>9,797,764</u>	<u>10,061,749</u>	<u>(263,985)</u>	<u>9,308,479</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(48,084)</u>	<u>(356,413)</u>	<u>(308,329)</u>	<u>(124,912)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		407	461,407	461,000	384,000
Transfers out					(10,584)
Total Other Financing Sources (Uses)		<u>407</u>	<u>461,407</u>	<u>461,000</u>	<u>373,416</u>
Net change in fund balances		(47,677)	104,994	152,671	248,504
Fund Balances - beginning	<u>889,327</u>	<u>889,327</u>	<u>889,327</u>		<u>640,823</u>
Fund Balances - ending	<u>\$ 889,327</u>	<u>\$ 841,650</u>	<u>\$ 994,321</u>	<u>\$ 152,671</u>	<u>\$ 889,327</u>

CITY OF ROCHESTER, MINNESOTA
LAW ENFORCEMENT BLOCK GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental	\$	\$ 51,551	\$51,551	\$	\$ 17,916
Interest earnings		304	304		572
Total Revenues		<u>51,855</u>	<u>51,855</u>		<u>18,488</u>
EXPENDITURES					
Law enforcement block grant VII		5,072	5,072		12,989
Law enforcement block grant VIII					39,525
Law enforcement block grant IX		<u>71,928</u>	<u>30,131</u>	<u>41,797</u>	
Total Expenditures		<u>77,000</u>	<u>35,203</u>	<u>41,797</u>	<u>52,514</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(25,145)</u>	<u>16,652</u>	<u>41,797</u>	<u>(34,026)</u>
OTHER FINANCING SOURCES					
Transfers in					<u>1,991</u>
Net change in fund balances		(25,145)	16,652	41,797	(32,035)
Fund Balances - beginning	<u>25,145</u>	<u>25,145</u>	<u>25,145</u>		<u>57,180</u>
Fund Balances - ending	<u>\$ 25,145</u>	<u>\$</u>	<u>\$41,797</u>	<u>\$ 41,797</u>	<u>\$ 25,145</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, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 749,065	\$ 698,084	\$ 693,785	\$ (4,299)	\$ 678,334
Intergovernmental	185,840	236,821	330,431	93,610	267,003
Charges for services	2,187,500	2,288,118	2,586,231	298,113	2,392,001
Interest earnings	42,500	42,500	70,478	27,978	48,542
Net decrease in the fair value of investments			(17,400)	(17,400)	(11,000)
Miscellaneous	18,000	18,000	24,751	6,751	18,000
Total Revenues	<u>3,182,905</u>	<u>3,283,523</u>	<u>3,688,276</u>	<u>404,753</u>	<u>3,392,880</u>
EXPENDITURES					
Airport operations	2,206,815	2,344,248	2,679,938	(335,690)	2,433,394
US customs operations	132,338	132,338	180,377	(48,039)	136,368
Total Expenditures	<u>2,339,153</u>	<u>2,476,586</u>	<u>2,860,315</u>	<u>(383,729)</u>	<u>2,569,762</u>
Excess (deficiency) of revenues over (under) expenditures	<u>843,752</u>	<u>806,937</u>	<u>827,961</u>	<u>21,024</u>	<u>823,118</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		36,815	36,815		
Transfers out	<u>(338,461)</u>	<u>(338,461)</u>	<u>(338,461)</u>		<u>(803,145)</u>
Total Other Financing Sources (Uses)	<u>(338,461)</u>	<u>(301,646)</u>	<u>(301,646)</u>		<u>(803,145)</u>
Net change in fund balances	505,291	505,291	526,315	21,024	19,973
Fund Balances - beginning	<u>2,912,554</u>	<u>2,912,554</u>	<u>2,912,554</u>		<u>2,892,581</u>
Fund Balances - ending	<u>\$3,417,845</u>	<u>\$3,417,845</u>	<u>\$3,438,869</u>	<u>\$ 21,024</u>	<u>\$2,912,554</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, 2005

With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
Interest earnings	\$ 5,000	\$ 5,000	\$ 7,986	\$ 2,986	\$ 6,912
Net decrease in fair value of investments			(1,300)	(1,300)	(1,400)
Miscellaneous Contributions					3,657
Rental of real property	9,600	9,600	11,170	1,570	9,320
Total Revenues	<u>14,600</u>	<u>14,600</u>	<u>17,856</u>	<u>3,256</u>	<u>18,489</u>
EXPENDITURES					
Contractual services	5,149	5,149	1,984	3,165	
Materials and supplies			5,368	(5,368)	
Capital outlay			10,000	(10,000)	
Total Expenditures	<u>5,149</u>	<u>5,149</u>	<u>17,352</u>	<u>(12,203)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>9,451</u>	<u>9,451</u>	<u>504</u>	<u>(8,947)</u>	<u>18,489</u>
OTHER FINANCING USES					
Transfers out			(929)	(929)	(23,024)
Net change in fund balances	9,451	9,451	(425)	(9,876)	(4,535)
Fund Balances - beginning	<u>302,771</u>	<u>302,771</u>	<u>302,771</u>		<u>307,306</u>
Fund Balances - ending	<u>\$ 312,222</u>	<u>\$ 312,222</u>	<u>\$ 302,346</u>	<u>\$ (9,876)</u>	<u>\$ 302,771</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, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Budgeted Amounts		2005 Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 59,195	\$ 55,163	\$ 54,662	\$ (501)	\$ 18,646
Intergovernmental revenues	2,548,922	2,552,954	2,548,942	(4,012)	2,384,775
Charges for services	84,216	84,216	61,994	(22,222)	65,675
Interest earnings			16,001	16,001	10,372
Net decrease in the fair value of investments			(2,100)	(2,100)	(3,500)
Miscellaneous		32,741	49,558	16,817	63,291
Total Revenues	2,692,333	2,725,074	2,729,057	3,983	2,539,259
EXPENDITURES					
Employee services			7,668	(7,668)	
Contractual services	523,300	556,881	623,524	(66,643)	353,245
Materials and supplies	1,725	1,725	4,888	(3,163)	713
Other charges	2,103,007	2,103,007	2,113,139	(10,132)	1,921,388
Total Expenditures	2,628,032	2,661,613	2,749,219	(87,606)	2,275,346
Excess (deficiency) of revenues over (under) expenditures	64,301	63,461	(20,162)	(83,623)	263,913
Net change in fund balances	64,301	63,461	(20,162)	(83,623)	263,913
Fund Balances - beginning	461,812	461,812	461,812		197,899
Fund Balances - ending	\$ 526,113	\$ 525,273	\$ 441,650	\$ (83,623)	\$ 461,812

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CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2005

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

Equipment Revolving Fund:

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

Information Technology Revolving Fund:

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

Self-Insurance Fund:

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

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

December 31, 2005

With Comparative Totals for December 31, 2004

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2005	2004
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 115,585	\$ 172,680	\$ 854,370	\$ 1,142,635	\$ 2,829,948
Investments	6,120,000	2,763,500	9,131,700	18,015,200	15,210,387
Accrued interest receivable	39,500	17,800	58,900	116,200	88,500
Total Current Assets	<u>6,275,085</u>	<u>2,953,980</u>	<u>10,044,970</u>	<u>19,274,035</u>	<u>18,128,835</u>
Noncurrent Assets:					
Capital assets:					
Machinery and equipment	18,550,248	498,227		19,048,475	17,804,219
Less: Accumulated depreciation	(10,561,852)	(208,832)		(10,770,684)	(9,899,189)
Total capital assets (net of accumulated depreciation)	<u>7,988,396</u>	<u>289,395</u>		<u>8,277,791</u>	<u>7,905,030</u>
Total Assets	<u>14,263,481</u>	<u>3,243,375</u>	<u>10,044,970</u>	<u>27,551,826</u>	<u>26,033,865</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	34,203	4,816	2,324	41,343	374,785
Deposits payable			325,335	325,335	485,724
Accrued compensation and payroll taxes			18,450	18,450	17,876
Due to other governmental units			34,418	34,418	15,760
Accrued claims			1,675,902	1,675,902	1,748,018
Total Current Liabilities	<u>34,203</u>	<u>4,816</u>	<u>2,056,429</u>	<u>2,095,448</u>	<u>2,642,163</u>
Noncurrent Liabilities:					
Accrued claims			859,094	859,094	1,063,558
Total Liabilities	<u>34,203</u>	<u>4,816</u>	<u>2,915,523</u>	<u>2,954,542</u>	<u>3,705,721</u>
NET ASSETS					
Invested in capital assets, net of related debt	7,988,396	289,395		8,277,791	7,905,030
Unrestricted	<u>6,240,882</u>	<u>2,949,164</u>	<u>7,129,447</u>	<u>16,319,493</u>	<u>14,423,114</u>
Total Net Assets	<u>\$14,229,278</u>	<u>\$ 3,238,559</u>	<u>\$7,129,447</u>	<u>\$24,597,284</u>	<u>\$22,328,144</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2005	2004
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 1,552,255	\$ 173,097	\$	\$ 1,725,352	\$ 1,691,373
Copy center charges	23,888			23,888	23,835
Departmental workers' compensation charges			180,813	180,813	186,200
Departmental insurance charges			9,426,780	9,426,780	7,555,217
Departmental flex charges			19,415	19,415	20,421
Employee insurance charges			1,447,584	1,447,584	1,229,264
Employee flex benefit contributions			548,155	548,155	524,716
Total Operating Revenues	<u>1,576,143</u>	<u>173,097</u>	<u>11,622,747</u>	<u>13,371,987</u>	<u>11,231,026</u>
Operating Expenses:					
Copy center	14,913			14,913	13,276
Minor equipment		180,227		180,227	211,380
Workers' compensation benefits			574,196	574,196	463,267
Workers' compensation insurance premiums			106,964	106,964	58,448
Health insurance claims			7,853,796	7,853,796	8,714,752
Flex benefits			575,238	575,238	537,213
Property and liability insurance			581,702	581,702	546,877
Property and liability claims			36,843	36,843	43,120
Other		129,380		129,380	34,214
Depreciation	1,557,700	73,036		1,630,736	1,612,654
Total Operating Expenses	<u>1,572,613</u>	<u>382,643</u>	<u>9,728,739</u>	<u>11,683,995</u>	<u>12,235,201</u>
Operating Income (Loss)	<u>3,530</u>	<u>(209,546)</u>	<u>1,894,008</u>	<u>1,687,992</u>	<u>(1,004,175)</u>
Nonoperating Revenues (Expenses):					
Interest earnings	162,072	77,898	235,890	475,860	366,488
Net decrease in the fair value of investments	(38,400)	(16,100)	(62,800)	(117,300)	(103,900)
Gain on disposal of property	94,349			94,349	13,520
Other income	137	7,784	248	8,169	3,009
Total Nonoperating Revenues (Expenses)	<u>218,158</u>	<u>69,582</u>	<u>173,338</u>	<u>461,078</u>	<u>279,117</u>
Income (Loss) Before Transfers and Contributions	221,688	(139,964)	2,067,346	2,149,070	(725,058)
Capital contributions		60,052		60,052	
Transfers in		64,520		64,520	1,384,766
Transfers out	(4,502)			(4,502)	
Change in Net Assets	<u>217,186</u>	<u>(15,392)</u>	<u>2,067,346</u>	<u>2,269,140</u>	<u>659,708</u>
Total Net Assets - beginning	<u>14,012,092</u>	<u>3,253,951</u>	<u>5,062,101</u>	<u>22,328,144</u>	<u>21,668,436</u>
Total Net Assets - ending	<u>\$ 14,229,278</u>	<u>\$ 3,238,559</u>	<u>\$ 7,129,447</u>	<u>\$ 24,597,284</u>	<u>\$ 22,328,144</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005
 With Comparative Totals for the Year Ended December 31, 2004

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2005	2004
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 1,576,143	\$ 173,097	\$ 9,627,008	\$ 11,376,248	\$ 9,693,416
Cash received from employees			1,995,739	1,995,739	1,539,146
Cash paid to suppliers	19,146	(305,182)	(10,518,402)	(10,804,438)	(10,047,046)
Net Cash Provided by (Used in) Operating Activities	<u>1,595,289</u>	<u>(132,085)</u>	<u>1,104,345</u>	<u>2,567,549</u>	<u>1,185,516</u>
Cash Flows From Noncapital Financing Activities:					
Transfers in		64,520		64,520	1,384,766
Transfers out	(4,502)			(4,502)	
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(4,502)</u>	<u>64,520</u>		<u>60,018</u>	<u>1,384,766</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from sale of property	96,546			96,546	17,658
Acquisition of capital assets	(1,895,023)	(50,619)		(1,945,642)	(761,980)
Other receipts	137	7,784	248	8,169	3,009
Net Cash Provided By (Used in) Capital and Related Financing Activities	<u>(1,798,340)</u>	<u>(42,835)</u>	<u>248</u>	<u>(1,840,927)</u>	<u>(741,313)</u>
Cash Flows From Investing Activities:					
Investment income	153,772	74,898	219,490	448,160	367,786
Net (increase) decrease in investments	(805,236)	(230,982)	(1,885,895)	(2,922,113)	(1,410,047)
Net Cash Provided By (Used in) Investing Activities	<u>(651,464)</u>	<u>(156,084)</u>	<u>(1,666,405)</u>	<u>(2,473,953)</u>	<u>(1,042,261)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(859,017)	(266,484)	(561,812)	(1,687,313)	786,708
Cash and Cash Equivalents, Beginning of Year	974,602	439,164	1,416,182	2,829,948	2,043,240
Cash and Cash Equivalents, End of Year	<u>\$ 115,585</u>	<u>\$ 172,680</u>	<u>\$ 854,370</u>	<u>\$ 1,142,635</u>	<u>\$ 2,829,948</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2005	2004
Operating Income (Loss)	\$ 3,530	\$ (209,546)	\$ 1,894,008	\$ 1,687,992	\$ (1,004,175)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	1,557,700	73,036		1,630,736	1,612,654
(Increase) Decrease In:					
Accounts receivable					735
Due from other funds					801
Increase (Decrease) In:					
Accounts payable	34,059	4,425	(371,926)	(333,442)	366,251
Deposits payable			(160,389)	(160,389)	(54,620)
Accrued compensation and payroll taxes			574	574	(28)
Due to other governmental units			18,658	18,658	820
Accrued claims			(276,580)	(276,580)	263,078
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,595,289</u>	<u>\$ (132,085)</u>	<u>\$ 1,104,345</u>	<u>\$ 2,567,549</u>	<u>\$ 1,185,516</u>
Non Cash Transactions:					
Receipt of contributed property	\$ 38,400	\$ 60,052	\$ 62,800	\$ 60,052	\$ 103,900
Decrease in fair value of investments		16,100		117,300	

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CITY OF ROCHESTER, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2005

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CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS

December 31, 2005

			<u>Amount</u>	<u>%</u>
Cash and Deposits:				
US Bank - Rochester, Minnesota			\$ 32,565	0.02%
Wells Fargo Bank - Rochester, Minnesota			14,368,583	6.80%
Northeast Bank, Minneapolis, Minnesota			64,487	0.03%
Change Funds			9,240	0.00%
	<u>Yield %</u>	<u>Maturity</u>		
Cash Equivalents:				
Commercial Paper	3.83-4.42	2006	21,986,118	10.40%
Guaranteed Investment Contracts	4.94-5.60	2006	4,201,995	1.99%
Short Term Government Trust	3.8125	2006	3,669,789	1.74%
Sub-total Cash, Deposits and Cash Equivalents			<u>44,332,777</u>	<u>20.98%</u>
Investments:				
Municipal Bond	5.50	2024	12,806,108	6.06%
US Government and Agency Securities:				
Federal Farm Credit Bank	2.44-4.815	2006-2008	8,835,015	4.18%
Federal Home Loan Bank	1.72-4.41	2006-2009	73,762,202	34.90%
Federal Home Loan Mortgage Corporation	2.00-5.18	2006-2010	33,746,796	15.97%
Federal National Mortgage Association	2.15-4.84	2006-2010	37,762,744	17.87%
US Treasury Notes	2.30-4.62	2006-2008	88,373	0.04%
Sub-total Investments			<u>167,001,238</u>	<u>79.02%</u>
TOTAL			<u><u>\$ 211,334,015</u></u>	<u><u>100.00%</u></u>

ALLOCATION OF CASH, CASH EQUIVALENTS AND INVESTMENTS - ALL FUNDS

Fund	<u>Cash and Cash Equivalents</u>	<u>Restricted Assets</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$ 589,036	\$ 32,565	\$ 18,616,240	\$ 19,237,841
Special Revenue Funds	1,014,592		6,169,600	7,184,192
Capital Project Funds	5,749,225		65,420,910	71,170,135
Enterprise Funds	19,464,006	53,355,306	21,764,700	94,584,012
Internal Service Funds	1,142,635		18,015,200	19,157,835
TOTAL	<u><u>\$ 27,959,494</u></u>	<u><u>\$53,387,871</u></u>	<u><u>\$ 129,986,650</u></u>	<u><u>\$ 211,334,015</u></u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF CASH AND SECURITY FOR DEPOSIT
December 31, 2005

	<u>Wells Fargo Bank</u>	<u>US Bank</u>	<u>Others</u>
Security for Deposits:			
Federal National Mortgage Association	\$ 23,235,434	\$ 742,419	
Government National Mortgage Association	4,332,737		
Federal Home Loan Mortgage Corp	1,447,673		
TOTAL PAR VALUE OF SECURITIES	<u>\$ 29,015,844</u>	<u>\$ 742,419</u>	
Market Value of Securities	\$ 29,278,506	\$ 738,063	
90% of security market value applicable to pledge requirement	26,350,655	664,257	
F.D.I.C.	100,000	100,000	\$ 100,000
TOTAL SECURITY	<u>\$ 26,450,655</u>	<u>\$ 764,257</u>	<u>\$ 100,000</u>
Deposits:			
Book Balance	\$ 14,368,583	\$ 32,565	\$ 64,487
Escrow Deposits		660,387	
TOTAL APPLICABLE TO SECURITY	<u>\$ 14,368,583</u>	<u>\$ 692,952</u>	<u>\$ 64,487</u>

Pursuant to Minnesota law, total deposits cannot exceed F.D.I.C. or F.S.L.I.C. insurance plus ninety percent of the market value of securities pledged as collateral by the bank.

The Federal Deposit Insurance Corporation provides additional security of \$100,000 at each depository bank of demand deposits.

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - ALL FUNDS
December 31, 2005

	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Enter- prise Funds</u>
Delinquent Taxes by Year:					
Fiscal Year:					
1998	\$ 349	\$ 217	\$ 106	\$ 23	\$ 3
1999	378	227	118	30	3
2000	1,523	520	519	471	13
2001	1,861	1,064	627	152	18
2002	6,720	3,259	2,253	1,137	71
2003	13,845	5,923	5,725	2,032	165
2004	35,609	19,417	10,718	5,474	
2005	<u>213,657</u>	<u>116,946</u>	<u>59,001</u>	<u>37,710</u>	
Total Delinquent Taxes on Records of the Olmsted County Auditor	273,942	147,573	79,067	47,029	273
Less: Estimated Uncollectible Delinquent Taxes	<u>(8,218)</u>	<u>(4,427)</u>	<u>(2,372)</u>	<u>(1,411)</u>	<u>(8)</u>
Net Delinquent Taxes Receivable	<u>\$ 265,724</u>	<u>\$ 143,146</u>	<u>\$ 76,695</u>	<u>\$ 45,618</u>	<u>\$ 265</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF CHANGES IN CAPITAL ASSETS AND DEPRECIATION
EQUIPMENT REVOLVING FUND
For the Year Ended December 31, 2005

	ASSETS				Balance 12/31/2005
	Balance 1/1/2005	Additions	Retirements	Transfers	
Trucks, power operated equip- ment and autos:					
General Government:					
City Hall Maintenance	\$ 63,950	\$	\$	\$	\$ 63,950
Copy Center	48,160				48,160
Total General Government	<u>112,110</u>				<u>112,110</u>
Public Safety:					
Police	1,169,992	385,288	248,716	(33,708)	1,272,856
Fire	3,912,029	282,975	43,222		4,151,782
Building Safety	254,460				254,460
Animal Control	31,485				31,485
Total Public Safety	<u>5,367,966</u>	<u>668,263</u>	<u>291,938</u>	<u>(33,708)</u>	<u>5,710,583</u>
Public Works:					
Engineering	375,312	19,795		51,882	446,989
Traffic Engineer	431,811		9,589		422,222
Street and Alley	5,464,231	639,384	178,213	(18,174)	5,907,228
Total Public Works	<u>6,271,354</u>	<u>659,179</u>	<u>187,802</u>	<u>33,708</u>	<u>6,776,439</u>
Parking	167,562				167,562
Library	180,815				180,815
Municipal Recreation System:					
Administration	15,716				15,716
Recreation	13,479	15,355	13,479		15,355
Golf	1,067,959	224,531	141,457		1,151,033
Volleyball Center	10,347				10,347
Graham Arena	120,956				120,956
Park	2,009,216	313,953	132,485	(16,092)	2,174,592
Recreation Center	46,510	10,490		16,092	73,092
Flood Control Maintenance	230,358				230,358
Mayo Civic Center	98,270	8,316			106,586
Total Municipal Recreation System	<u>3,612,811</u>	<u>572,645</u>	<u>287,421</u>		<u>3,898,035</u>
Sewer Utility Fund:					
Sewer Collection System	617,959				617,959
Water Reclamation Plant	1,086,086	14,008	13,349		1,086,745
Total Sewer Utility	<u>1,704,045</u>	<u>14,008</u>	<u>13,349</u>		<u>1,704,704</u>
Total Machinery and Equipment	<u>\$ 17,416,663</u>	<u>\$ 1,914,095</u>	<u>\$ 780,510</u>	<u>\$</u>	<u>\$ 18,550,248</u>

SCHEDULE 4

ALLOWANCE FOR DEPRECIATION

Balance 1/1/2005	Depreciation	Retirements	Transfers	Balance 12/31/2005	Remaining Book Value
\$ 56,213	\$ 3,199	\$	\$	\$ 59,412	\$ 4,538
33,605	5,446			39,051	9,109
<u>89,818</u>	<u>8,645</u>			<u>98,463</u>	<u>13,647</u>
825,150	228,475	248,715	(33,708)	771,202	501,654
1,599,803	222,863	43,222		1,779,444	2,372,338
97,549	29,664			127,213	127,247
31,485				31,485	
<u>2,553,987</u>	<u>481,002</u>	<u>291,937</u>	<u>(33,708)</u>	<u>2,709,344</u>	<u>3,001,239</u>
219,781	34,002		49,581	303,364	143,625
209,633	30,834	9,589		230,878	191,344
3,059,033	438,483	177,637	(15,873)	3,304,006	2,603,222
<u>3,488,447</u>	<u>503,319</u>	<u>187,226</u>	<u>33,708</u>	<u>3,838,248</u>	<u>2,938,191</u>
78,832	14,183			93,015	74,547
<u>113,398</u>	<u>13,716</u>			<u>127,114</u>	<u>53,701</u>
11,794	2,619			14,413	1,303
13,479	1,038	13,479		1,038	14,317
580,223	148,485	122,368		606,340	544,693
7,265	1,478			8,743	1,604
62,068	11,932			74,000	46,956
1,351,137	223,653	130,882	(16,092)	1,427,816	746,776
36,560	4,385		16,092	57,037	16,055
108,590	31,530			140,120	90,238
<u>37,898</u>	<u>10,919</u>			<u>48,817</u>	<u>57,769</u>
<u>2,209,014</u>	<u>436,039</u>	<u>266,729</u>		<u>2,378,324</u>	<u>1,519,711</u>
423,523	38,941			462,464	155,495
806,374	61,855	13,349		854,880	231,865
<u>1,229,897</u>	<u>100,796</u>	<u>13,349</u>		<u>1,317,344</u>	<u>387,360</u>
<u>\$ 9,763,393</u>	<u>\$ 1,557,700</u>	<u>\$ 759,241</u>	<u>\$</u>	<u>\$ 10,561,852</u>	<u>\$ 7,988,396</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF BONDS PAYABLE
 December 31, 2005

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation Tax</u>								
<u>Increment Bonds:</u>								
Taxable Tax Increment Bonds District 7, Series 1997	5.50% (2/1; 8/1)	3/4/1997	2/1/2024	(1)	\$ 2,768,500	\$ 2,669,380	\$ 121,945	\$ 2,547,435
Total General Obligation Tax Increment Bonds					<u>2,768,500</u>	<u>2,669,380</u>	<u>121,945</u>	<u>2,547,435</u>
<u>General Obligation Sales</u>								
<u>Tax Revenue Bonds:</u>								
General Obligation Taxable Sales Tax Revenue Bonds, Series 2000	6.35% (2/1)	7/6/2001	2/1/2010	(2)	10,458,673	10,458,673	200,000	10,258,673
Total General Obligation Sales Tax Revenue Bonds					<u>10,458,673</u>	<u>10,458,673</u>	<u>200,000</u>	<u>10,258,673</u>
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Wastewater Treatment Refunding Bonds 2001A dated September 15, 2001- str 12/1/07	3.5, 3.7, 3.8 3.9,4.0% (6/1; 12/1)	9/15/2001	12/1/2011	820,000 (2006) 830,000 (2007) 865,000 (2008) 900,000 (2009) 930,000 (2010) 990,000 (2011)	8,275,000	8,275,000	2,940,000	5,335,000
Subtotal General Obligation Revenue Bonds					<u>8,275,000</u>	<u>8,275,000</u>	<u>2,940,000</u>	<u>5,335,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF BONDS PAYABLE (CONTINUED)
 December 31, 2005

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds: (continued)</u>								
Wastewater Treatment Revenue Bonds 2004A dated November 1, 2004- str 2/1/11	3.0, 5.0 (2/1)	11/1/2004	2/1/2026	330,000 (2006) 940,000 (2007) 950,000 (2008) 965,000 (2009) 985,000 (2010) 1,050,000 (2011) 1,355,000 (2012) 2,560,000 (2013) 3,820,000 (2014) 4,735,000 (2015) 4,930,000 (2016) 5,125,000 (2017) 5,340,000 (2018) 5,560,000 (2019) 5,795,000 (2020) 6,050,000 (2021) 6,320,000 (2022) 6,600,000 (2023) 6,905,000 (2024) 7,225,000 (2025) 6,195,000 (2026)	83,735,000	83,735,000		83,735,000
Total General Obligation Revenue Bonds					<u>92,010,000</u>	<u>92,010,000</u>	<u>2,940,000</u>	<u>89,070,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF BONDS PAYABLE (CONTINUED)
 December 31, 2005

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds:</u>								
Electric Utility Revenue Bonds, Series 2000	4.75, 4.85, 5.0, 5.1, 5.125, 5.20 5.25% (6/1; 12/1)	12/1/2000	12/1/2030	725,000 (2006) 755,000 (2007) 795,000 (2008) 830,000 (2009) 865,000 (2010) 905,000 (2011) 950,000 (2012) 995,000 (2013) 1,045,000 (2014) 1,095,000 (2015) 1,150,000 (2016) 1,210,000 (2017) 1,270,000 (2018) 1,335,000 (2019) 1,405,000 (2020) 1,475,000 (2021) 1,555,000 (2022) 1,635,000 (2023) 1,725,000 (2024) 1,815,000 (2025) 1,910,000 (2026) 2,010,000 (2027) 2,115,000 (2028) 2,225,000 (2029) 2,340,000 (2030)	37,290,000	37,290,000	3,155,000	34,135,000
Subtotal Revenue Bonds					37,290,000	37,290,000	3,155,000	34,135,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF BONDS PAYABLE (CONTINUED)
 December 31, 2005

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds (continued):</u>								
Electric Utility Revenue Bonds, Series 2002A	3.00, 3.25, 3.50, 3.75, 4.00, 4.125 4.25, 4.375, 4.50% (12/1)	8/15/2002	12/1/2017	640,000 (2006) 660,000 (2007) 685,000 (2008) 710,000 (2009) 740,000 (2010) 770,000 (2011) 805,000 (2012) 840,000 (2013) 875,000 (2014) 915,000 (2015) 960,000 (2016) 1,005,000 (2017)	11,275,000	11,275,000	1,670,000	9,605,000
Subtotal Revenue Bonds					11,275,000	11,275,000	1,670,000	9,605,000
<u>Revenue Bonds (continued):</u>								
Electric Utility Note, Series 2005	3.98 (12/1)	3/10/2005	12/1/2014	385,000 (2006) 425,000 (2007) 470,000 (2008) 525,000 (2009) 580,000 (2010) 645,000 (2011) 715,000 (2012) 795,000 (2013) 880,000 (2014)	5,765,000	5,765,000	345,000	5,420,000
Total Revenue Bonds					54,330,000	54,330,000	5,170,000	49,160,000
TOTAL BONDS PAYABLE					<u>\$ 159,567,173</u>	<u>\$ 159,468,053</u>	<u>\$ 8,431,945</u>	<u>\$ 151,036,108</u>

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

(2) The Taxable Sales Tax Revenue Bonds are structured without fixed principal maturities. The payments are equal to the amount of sales and use tax and such other revenues pledged. All payments are applied first to pay accrued and unpaid interest and next to reduction of principal.

SCHEDULE 6

CITY OF ROCHESTER, MINNESOTA
 SCHEDULE OF DEBT SERVICE REQUIREMENTS - ALL FUNDS
 December 31, 2005

Year	Total (2)		General Obligation (1) (3) (4)						Revenue Bonds (5)			
			Wastewater Treatment Plant Revenue Refunding Bonds		Wastewater Treatment Plant Revenue Bonds		Sales Tax Revenue Note of 2001		Electric Utility Revenue Bonds		Electric Utility Note Series 2005	
			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 3,010,000	\$ 6,691,755	\$ 820,000	\$ 199,825	\$ 330,000	\$ 4,098,400	\$ 110,000	\$ 61,920	\$ 1,365,000	\$ 2,126,344	\$ 385,000	\$ 205,266
2007	3,723,000	6,572,108	830,000	171,125	940,000	4,079,350	113,000	58,808	1,415,000	2,072,706	425,000	190,119
2008	3,881,000	6,436,405	865,000	142,075	950,000	4,051,000	116,000	55,610	1,480,000	2,015,394	470,000	172,326
2009	4,050,000	6,288,243	900,000	110,070	965,000	4,022,275	120,000	52,326	1,540,000	1,953,657	525,000	149,915
2010	4,223,000	6,129,519	930,000	75,870	985,000	3,993,025	123,000	48,930	1,605,000	1,887,606	580,000	124,088
2011	4,486,000	5,956,369	990,000	39,600	1,050,000	3,952,000	126,000	45,450	1,675,000	1,816,918	645,000	102,401
2012	3,955,000	5,754,739			1,355,000	3,891,875	130,000	41,884	1,755,000	1,743,131	715,000	77,849
2013	5,324,000	5,548,900			2,560,000	3,794,000	134,000	38,205	1,835,000	1,665,806	795,000	50,889
2014	6,758,000	5,272,827			3,820,000	3,634,500	138,000	34,412	1,920,000	1,583,948	880,000	19,967
2015	6,886,000	4,946,737			4,735,000	3,420,625	141,000	30,508	2,010,000	1,495,604		
2016	7,185,000	4,607,485			4,930,000	3,179,000	145,000	26,518	2,110,000	1,401,967		
2017	7,490,000	4,252,507			5,125,000	2,927,625	150,000	22,414	2,215,000	1,302,468		
2018	6,764,000	3,879,701			5,340,000	2,666,000	154,000	18,168	1,270,000	1,195,533		
2019	7,053,000	3,537,755			5,560,000	2,393,500	158,000	13,810	1,335,000	1,130,445		
2020	7,363,000	3,179,989			5,795,000	2,109,625	163,000	9,339	1,405,000	1,061,025		
2021	7,692,000	2,805,488			6,050,000	1,813,500	167,000	4,726	1,475,000	987,262		
2022	7,875,000	2,414,074			6,320,000	1,504,250			1,555,000	909,824		
2023	7,910,000	2,009,438			6,600,000	1,181,250			1,310,000	828,188		
2024	8,630,000	1,585,975			6,905,000	843,625			1,725,000	742,350		
Thereafter	26,160,000	3,022,976			13,420,000	645,250			12,740,000	2,377,726		
	<u>\$ 140,418,000</u>	<u>\$ 90,892,990</u>	<u>\$ 5,335,000</u>	<u>\$ 738,565</u>	<u>\$ 83,735,000</u>	<u>\$ 58,200,675</u>	<u>\$ 2,188,000</u>	<u>\$ 563,028</u>	<u>\$ 43,740,000</u>	<u>\$ 30,297,902</u>	<u>\$ 5,420,000</u>	<u>\$ 1,092,820</u>

- (1) The General Obligation Unlimited Tax Levy Bonds are initially payable from sources other than general property tax: Tax Increment Bonds are payable from tax increment revenues; Sales Tax Bonds are payable from sales tax revenue and Wastewater Treatment Bonds are payable from sewer service charges.
- (2) Does not include notes payable of \$256,752.
- (3) Does not include the General Obligation Taxable Tax Increment Bonds 1997, District No. 7 which are structured without fixed principal maturities.
- (4) Does not include the General Obligation Taxable Sales Tax Revenue Bonds 2000 which are structured without fixed principal maturities.
- (5) The interest on the Electric Utility Note, Series 2005, is variable. The current rate of interest is 3.98%.

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS
 For the Year Ended December 31, 2005

	Number of Employees		Salaries and Wages Amount	Employer Contributions					Total Wages and Contributions	
	Full Time	All Other		Pension	Social Security	Group Insurance	Workers' Compensation	Unemployment Compensation		Other (1) Contributions
<u>Government and Fiduciary Fund Types</u>										
General Government	59	3	\$ 3,310,336	\$ 177,180	\$ 232,997	\$ 562,349	\$ 2,222	\$ 5,889	\$ 8,281	\$ 4,299,254
Police	140		8,943,107	796,191	147,142	1,639,331	39,164		21,959	11,586,894
<u>Public Safety</u>										
Communications	25		1,231,509	68,011	91,329	234,156	551		4,039	1,629,595
Fire	100		6,687,691	605,500	83,209	1,142,191	53,497		3,953	8,576,041
Fire Hazmat Response Team			15,431	1,435	64		85			17,015
Building Safety	26		1,559,073	84,904	114,453	372,177	2,064		1,359	2,134,030
Animal Control	3		128,856	7,051	9,612	33,228	1,202			179,949
Flood Control	2		112,482	4,868	8,287	19,482	839		64	146,022
Public Works	83	2	4,561,750	246,035	337,359	839,609	29,304		7,150	6,021,207
Music	4		243,633	12,674	18,051	47,409	223		704	322,694
Library	50	70	2,927,650	153,230	217,464	480,100	3,161		9,180	3,790,785
Park and Recreation	69	195	4,555,478	211,450	339,219	765,383	28,015	15,256	2,483	5,917,284
TOTAL	561	270	\$34,276,996	\$2,368,529	\$1,599,186	\$6,135,415	\$ 160,327	\$ 21,145	\$ 59,172	\$44,620,770
<u>Proprietary Fund Types</u>										
Parking	4		\$ 216,859	\$ 11,867	\$ 16,134	\$ 54,653	\$ 1,133		\$ 364	\$ 301,010
Electric Utility	172	13	12,086,165	642,893	866,549	2,002,104	22,884	19,452	4,291	15,644,338
Water Utility	20		1,283,829	60,632	91,773	219,545	886		385	1,657,050
Sewer Utility	35		1,848,231	105,198	130,807	475,633	18,956		1,376	2,580,201
Storm Water Utility	5	2	289,938	14,839	21,938	43,240	292		792	371,039
TOTAL	236	15	\$15,725,022	\$ 835,429	\$1,127,201	\$2,795,175	\$ 44,151	\$ 19,452	\$ 7,208	\$20,553,638

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

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