

CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

DEPARTMENT OF FINANCE

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Members of the Government Finance Officer's Association
of the United States and Canada

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CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2009

TABLE OF CONTENTS

	<u>REFERENCE</u>	<u>PAGE</u>
INTRODUCTORY SECTION		
Letter of Transmittal		i
Certificate of Achievement		vi
Organizational Chart		vii
List of Elected and Appointed Officials		viii
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	FORM A-1	17
Statement of Activities	FORM A-2	18
Fund Financial Statements		
Balance Sheet - Governmental Funds	FORM B-1	20
Reconciliation of Net Assets in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	FORM B-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	FORM B-3	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	FORM B-4	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	FORM B-5	24
Statement of Net Assets - Proprietary Funds	FORM C-1	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	FORM C-2	28
Statement of Cash Flows - Proprietary Funds	FORM C-3	30
Notes to the Financial Statements		34
Required Supplementary Information		
Schedule of Funding Progress - Other Post Employment Benefits		73
Combining and Individual Nonmajor Fund Statements and Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	FORM D-1	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	FORM D-2	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	FORM D-3	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Municipal Recreation System Fund	FORM D-4	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Edward Byrne Memorial JAG Fund	FORM D-5	82

CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2009

TABLE OF CONTENTS (CONTINUED)

	<u>REFERENCE</u>	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)		
Combining and Individual Nonmajor Fund Statements and Schedules (continued)		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Airport Operations Fund	FORM D-6	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - F.E. Williams Estate Fund	FORM D-7	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Transit Fund	FORM D-8	85
Combining Statement of Net Assets - Internal Service Funds	FORM E-1	87
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	FORM E-2	88
Combining Statement of Cash Flows - Internal Service Funds	FORM E-3	89
SUPPLEMENTARY INFORMATION		
Schedule of Debt Maturities		91
Schedule of Personnel Expenditures - All Funds		102
STATISTICAL SECTION		
Changes in Net Assets	Schedule 1	104
Net Assets by Component	Schedule 2	108
Fund Balances, Governmental Funds	Schedule 3	109
Changes in Fund Balances, Governmental Funds	Schedule 4	110
Tax Capacity and Estimated Actual Value of Taxable Property	Schedule 5	111
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	Schedule 6	112
Principal Property Taxpayers	Schedule 7	113
Schedule of Property Tax Levies and Collections	Schedule 8	114
Electric, Water and Sanitary Sewer Charges by Customer	Schedule 9	115
Ratios of Outstanding Debt by Type	Schedule 10	116
Ratios of General Bonded Debt Outstanding	Schedule 11	118
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	Schedule 12	119
Legal Debt Margin Information	Schedule 13	120
Pledged Revenue Coverage	Schedule 14	121
Demographic and Economic Statistics	Schedule 15	122
Principal Employers	Schedule 16	123
Full-Time Equivalent Employees by Function	Schedule 17	124
Operating Indicators by Function/Program	Schedule 18	125
Capital Assets Statistics by Function/Program	Schedule 19	126

CITY OF ROCHESTER, MINNESOTA
INTRODUCTORY SECTION
DECEMBER 31, 2009

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ROCHESTER

Minnesota



June 17, 2010

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

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

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Rochester for the fiscal year ended December 31, 2009.

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

The City of Rochester's financial statements have been audited by Smith, Schafer and Associates, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rochester for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rochester's financial statements for the fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

CITY OF ROCHESTER, MINNESOTA

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

PROFILE OF THE GOVERNMENT

The City of Rochester, incorporated on August 5, 1858, is located in the southeastern part of the State of Minnesota, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City currently has a land area of nearly 54.67 square miles and serves a population of 104,578. The City of Rochester is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City of Rochester's financial planning and control. All departments and agencies of the City of Rochester submit requests for appropriation to the city administrator in August of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then provides this proposed budget to the council for review prior to November. Work sessions are then held with the council covering each department budget. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Rochester's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Any changes to the budget at the functional level (e.g. General Government, Public Safety, Public Works, etc.) must be by formal resolution of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 24-25 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 76.

CITY OF ROCHESTER, MINNESOTA

FACTORS AFFECTING FINANCIAL CONDITION

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

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

Recent indicators of Rochester's economic climate include:

- **Jobs.** Total employment figures in the last 12 months ending March of 2010 have shown a decrease of 941 jobs since the first quarter of 2009. This continued a year over year decline from last year. Last year's total was the first 12 month decrease in over 14 years. Total employment had dropped for the year to 102,008, reflecting a small increase of 238 jobs from the previous month. Job losses in the goods producing sector were down 6.1 percent in the last 12 months, primarily in the construction sector, but the service providing sector was basically flat, maintaining only a slight one tenth of one percent decline.
- **Unemployment.** Rochester's unemployment rate was reported at 6.7 percent in March of 2010, an improvement from the 7.3 percent posted a year earlier. While still higher than Rochester's norm, the improvement is encouraging. Rochester's unemployment rate continues to be well below State and U.S. averages of 8.2 and 9.7 percent respectively.
- **Home Sales.** Home sales for the first quarter of 2010 fell to \$38.8 million from \$45.9 million the year before, a decline of 15.5% from the prior year. The average home sold for \$166,484 during this first quarter with 233 units being sold and the average time on the market was 135 days. Mortgage rates continue to remain low.
- **Building Activity.** After a significant decline in 2009, total commercial and residential building permits issued during the first quarter of 2010 were up 30.2 percent to \$45.4 million from the same period last year.

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

- **Public Works Operations Center.** Street crews have outgrown our existing equipment maintenance facility and have sold the property to the adjacent Olmsted Medical Center Hospital to provide room for the Hospital's expansion plans. Ground work is now complete and building construction is underway on the 20-acre site. Ultimately, the facility will house and maintain both our street maintenance equipment as well as our transit fleet though we are still awaiting federal grant award decisions on some of the transit portions. This total project, estimated at \$43 million in cost, is planned for use by mid- 2011.

CITY OF ROCHESTER, MINNESOTA

Long-term financial planning (continued).

- Downtown Development – University of Minnesota Rochester (UMR / GH Holdings). The University of Minnesota continues to develop its targeted health sciences campus in Rochester's downtown area. Projected classroom shortage in the near future and growing demands for student housing has them investing in a new 9-story housing and office/classroom space facility with GH Holdings of Rochester. This \$15.9 million project will have 98 dwelling units as well as additional classroom space for UMR. UMR stated long-term plan is for a 5,000-student campus in the downtown area, building off synergies with the Mayo Clinic and IBM.
- Downtown Development – Minnesota Bio Science Center. The City's EDA and the City opened the doors in 2009 to its new 9-story Bioscience Building. A \$9 million expansion of the City's 1st Avenue Parking Ramp was completed at the same time to support the new facility. Constructed by the City's Economic Development Authority, the top 5 floors are leased by Mayo's research and development teams. Three other bio-tech firms have committed to long-term leases and a new restaurant has opened on the first floor. With nearly 76% of the space already leased up, the City is currently in negotiations with three additional firms for space in this facility.
- Mayo Civic Center Expansion. The City is finishing the design phase for a major expansion of its existing Mayo Civic Center. State funding of \$3.5 million was approved for this design work in 2009 and the City received legislative approval for a new local food and beverage tax that would fund the City's planned ½ share of the estimated \$70 million expansion. However, State budget woes stalled the State bond funding legislation for this project in the 2010 session. This addition would nearly double the usable space of the facility and is expected to greatly increase the variety of uses and venues brought to the downtown. These activities complement our Mayo Clinic visitors to the community and support our lodging industry. The City continues the design work and will attempt to secure State bonding monies again in the 2011 session.
- Cascade Lake / Trail Development. The City has purchased some properties, provided for the relocation of power lines, obtained easements and accepted development plans for the gravel mining and eventual development of what will become the largest lake in the area. Plans are proceeding for adjacent public parkland and a public bike trail surrounding the lake is now complete. This project has already become a significant attraction for new residential development, and will eventually be a wonderful asset for all the citizens of Rochester to enjoy. During 2009, the first phase of a four-phase bike trail and bridge system going into to the park got underway. This total \$5.8 million four-year project is funded by federal, state and City dollars and will eventually link the well traveled Douglas Trail from Pine Island into this park.

CITY OF ROCHESTER, MINNESOTA

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2008. This was the fortieth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Dale R. Martinson
Director of Finance



Stevan E. Kvenvold
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rochester
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



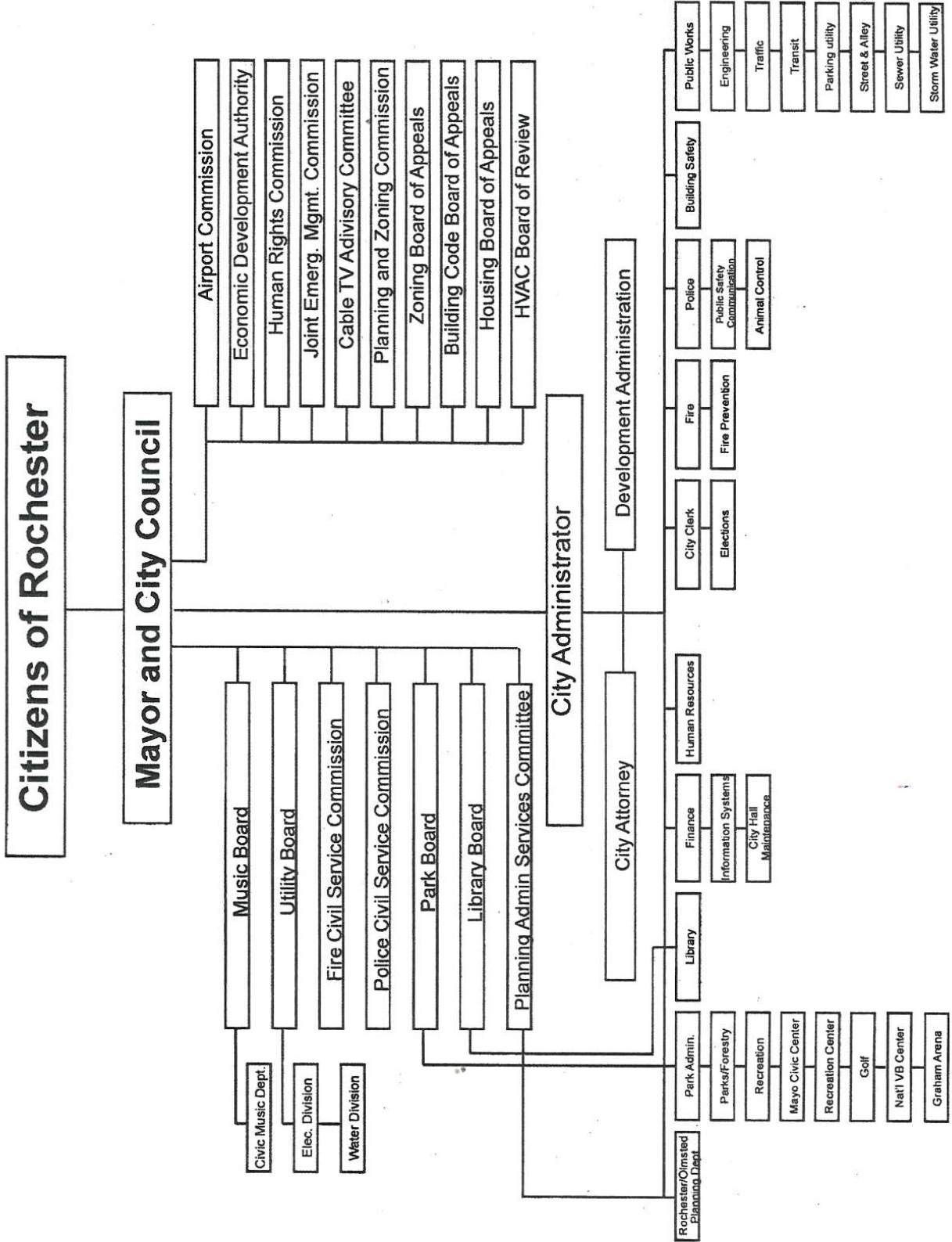
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

**CITY OF ROCHESTER, MINNESOTA
ORGANIZATIONAL CHART**



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

MAYOR - COUNCIL

	Initial Term <u>Commenced</u>	Current Term Expires <u>December 31</u>
Mayor, Ardell F. Brede	2003	2010
Council President, Dennis L. Hanson	1999	2012
Councilmember First Ward, Ed Hruska	2007	2010
Councilmember Second Ward, Michael Wojcik	2009	2012
Councilmember Third Ward, Bruce Snyder	2006	2010
Councilmember Fourth Ward, Mark Bilderback	2009	2012
Councilmember Fifth Ward, Bob Nowicki	2003	2010
Councilmember Sixth Ward, Sandra Means	2003	2012

CITY ADMINISTRATOR

Stevan E. Kvenvold

DIRECTOR OF FINANCE – TREASURER

Dale R. Martinson

OTHER CITY OFFICIALS

City Attorney, Terry L. Adkins
City Clerk, Judy Kay Scherr
Director of Public Works, Richard W. Freese
Director of Building Safety, Ronald D. Boose
Chief of Police, Roger L. Peterson
Fire Chief, Greg K. Martin
Director of Human Resources, Linda K. Hillenbrand
Director Library Services, Audrey Betcher
Superintendent of Parks and Recreation, Ronald E. Bastian
General Manager - Music, Steven J. Schmidt
General Manager - Public Utilities, Larry J. Koshire
Superintendent of Water Reclamation Plant, Lyle J. Zimmerman

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2009

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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, 2009, 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. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated June 15, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 the 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, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2010, 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 assessing the results of our audit.

The Management's Discussion and Analysis, on pages 3 through 16, 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, which consisted principally of inquires 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, supplementary information, and statistical sections as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, schedules and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, supplementary information, 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, Schaefer and Associates, Ltd.

Rochester, Minnesota
June 17, 2010

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, 2009, with comparative data for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, found on pages i - vi 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 \$1,045,056,167 (*net assets*). Of this amount, \$195,005,603 (*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 \$10,614,419.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$110,783,162. Approximately 51.1 percent of this total amount, or \$56,618,248, 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 \$22,043,737 representing 40.6 percent of total general fund expenditures.
- The City of Rochester increased total outstanding long term debt obligations by \$9,431,109 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 17-19 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 seventeen 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 fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided with the *combining statements* on pages 76-85 of this report.

The City of Rochester adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 24-25) and the special revenue funds (pages 80-85) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 20-25 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 26-33 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 34-72 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, individual nonmajor fund information, and internal service funds can be found on pages 76-90 of this report.

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 \$1,045,056,167 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net assets (77 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 175,778,261	\$ 172,344,561	\$ 122,823,770	\$ 120,541,903	\$ 298,602,031	\$ 292,886,464
Capital assets	512,600,061	499,950,113	544,358,118	541,944,385	1,056,958,179	1,041,894,498
Total assets	<u>688,378,322</u>	<u>672,294,674</u>	<u>667,181,888</u>	<u>662,486,288</u>	<u>1,355,560,210</u>	<u>1,334,780,962</u>
Long-term liabilities						
outstanding	46,421,326	37,647,685	234,221,938	233,564,470	280,643,264	271,212,155
Other liabilities	13,710,247	11,396,748	16,150,532	17,730,311	29,860,779	29,127,059
Total liabilities	<u>60,131,573</u>	<u>49,044,433</u>	<u>250,372,470</u>	<u>251,294,781</u>	<u>310,504,043</u>	<u>300,339,214</u>
Net assets:						
Invested in capital assets,						
net of related debt	476,465,001	471,635,637	329,040,537	344,902,226	805,505,538	816,537,863
Restricted	44,545,026	41,620,652			44,545,026	41,620,652
Unrestricted	107,236,722	109,993,952	87,768,881	66,289,281	195,005,603	176,283,233
Total net assets	<u>\$ 628,246,749</u>	<u>\$ 623,250,241</u>	<u>\$ 416,809,418</u>	<u>\$ 411,191,507</u>	<u>\$ 1,045,056,167</u>	<u>\$ 1,034,441,748</u>

An additional portion of the City of Rochester's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$195,005,603) 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 \$4,996,508. Most of this increase can be found in the capital grants and contributions (primarily street and storm water contributions). This and the lower than expected expenditures, due to early implementation of employee furlough leave planned for 2010 and other departmental spending restrictions, offset the reduction in local government aid revenues and lower permit revenues.

Business-type activities. Business-type activities increased the City of Rochester's net assets by \$5,617,911. Operations in the City's electric, water, sewer and storm water utilities contributed the majority of the increase which was offset somewhat by a loss after non-cash depreciation in the City's sewer utility. The City's electric utility contributed by far the largest increase in net assets at \$12 million.

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

A condensed version of the Statement of Activities follows:

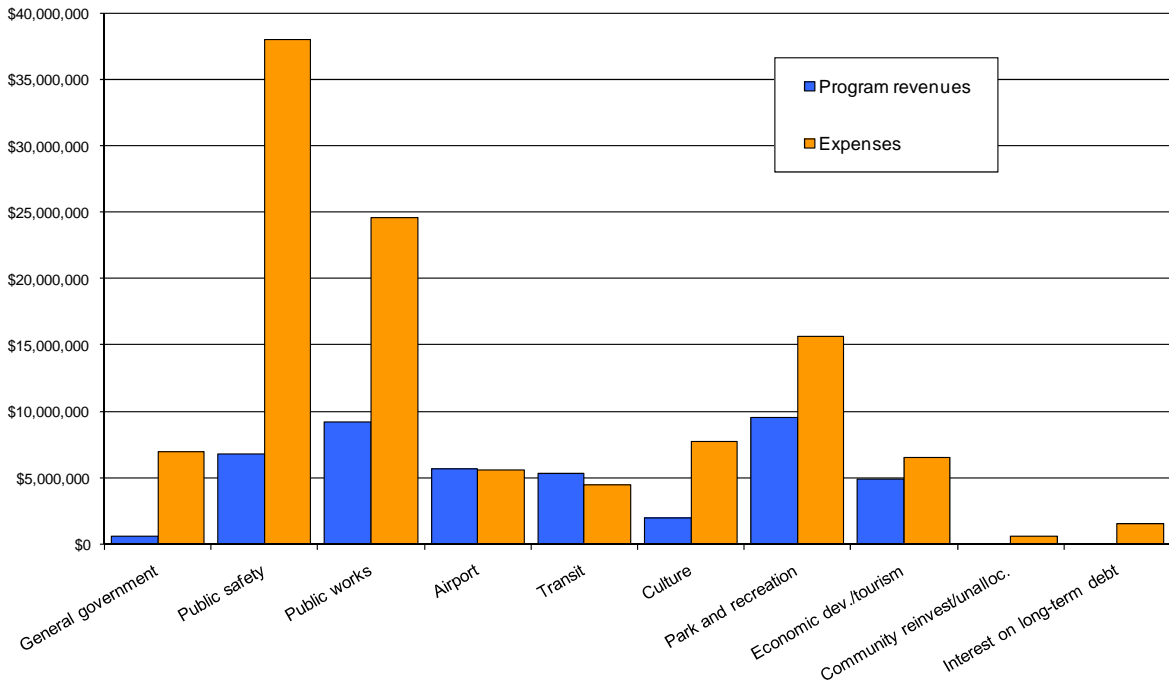
City of Rochester's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenues:						
Charges for services	\$ 16,026,933	\$ 16,489,916	\$ 168,433,706	\$ 177,388,713	\$ 184,460,639	\$ 193,878,629
Operating grants and contributions	10,404,046	7,249,392			10,404,046	7,249,392
Capital grants and contributions	17,571,480	23,341,029	1,088,397	5,123,882	18,659,877	28,464,911
General revenues:						
Property taxes	39,179,058	37,734,057			39,179,058	37,734,057
Other taxes	15,788,115	15,958,286			15,788,115	15,958,286
Grants and contributions not restricted to specific programs	8,799,788	7,128,314	33,451	124,105	8,833,239	7,252,419
Other	3,028,500	9,685,630	1,537,786	4,519,097	4,566,286	14,204,727
Total revenues	<u>110,797,920</u>	<u>117,586,624</u>	<u>171,093,340</u>	<u>187,155,797</u>	<u>281,891,260</u>	<u>304,742,421</u>
Expenses:						
General government	6,943,475	7,474,607			6,943,475	7,474,607
Public safety	37,982,196	36,879,979			37,982,196	36,879,979
Public works	24,551,047	18,064,883			24,551,047	18,064,883
Airport	5,572,561	6,204,997			5,572,561	6,204,997
Transit	4,465,509	4,463,679			4,465,509	4,463,679
Culture	7,698,935	7,830,377			7,698,935	7,830,377
Park and recreation	15,631,196	14,899,915			15,631,196	14,899,915
Economic development/tourism	6,545,075	3,168,068			6,545,075	3,168,068
Community reinvestment/unallocated	572,515	1,351,984			572,515	1,351,984
Interest on long-term debt	1,574,213	1,194,906			1,574,213	1,194,906
Parking			3,731,599	3,520,547	3,731,599	3,520,547
Electric			123,933,285	132,989,378	123,933,285	132,989,378
Water			7,172,964	6,950,672	7,172,964	6,950,672
Sewer			22,180,957	21,923,523	22,180,957	21,923,523
Storm water			2,721,314	2,852,576	2,721,314	2,852,576
Total expenses	<u>111,536,722</u>	<u>101,533,395</u>	<u>159,740,119</u>	<u>168,236,696</u>	<u>271,276,841</u>	<u>269,770,091</u>
Increase in net assets before transfers	(738,802)	16,053,229	11,353,221	18,919,101	10,614,419	34,972,330
Transfers	5,735,310	6,809,616	(5,735,310)	(6,809,616)		
Increase in net assets	4,996,508	22,862,845	5,617,911	12,109,485	10,614,419	34,972,330
Net assets, beginning of year	623,250,241	600,387,396	411,191,507	399,082,022	1,034,441,748	999,469,418
Net assets, end of year	<u>\$ 628,246,749</u>	<u>\$ 623,250,241</u>	<u>\$ 416,809,418</u>	<u>\$ 411,191,507</u>	<u>\$ 1,045,056,167</u>	<u>\$ 1,034,441,748</u>

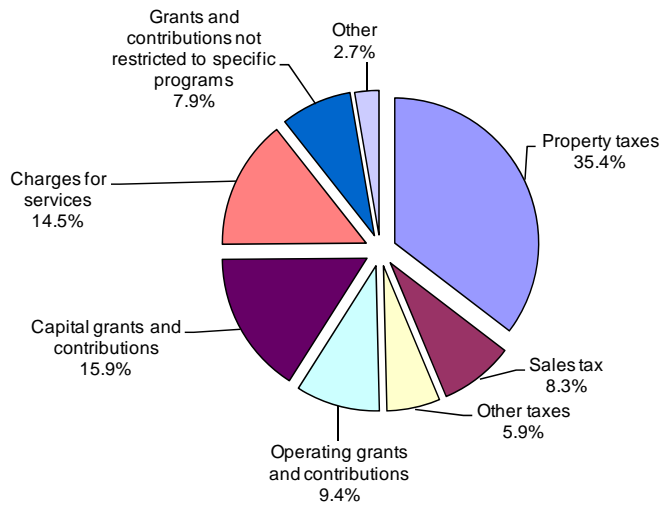
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



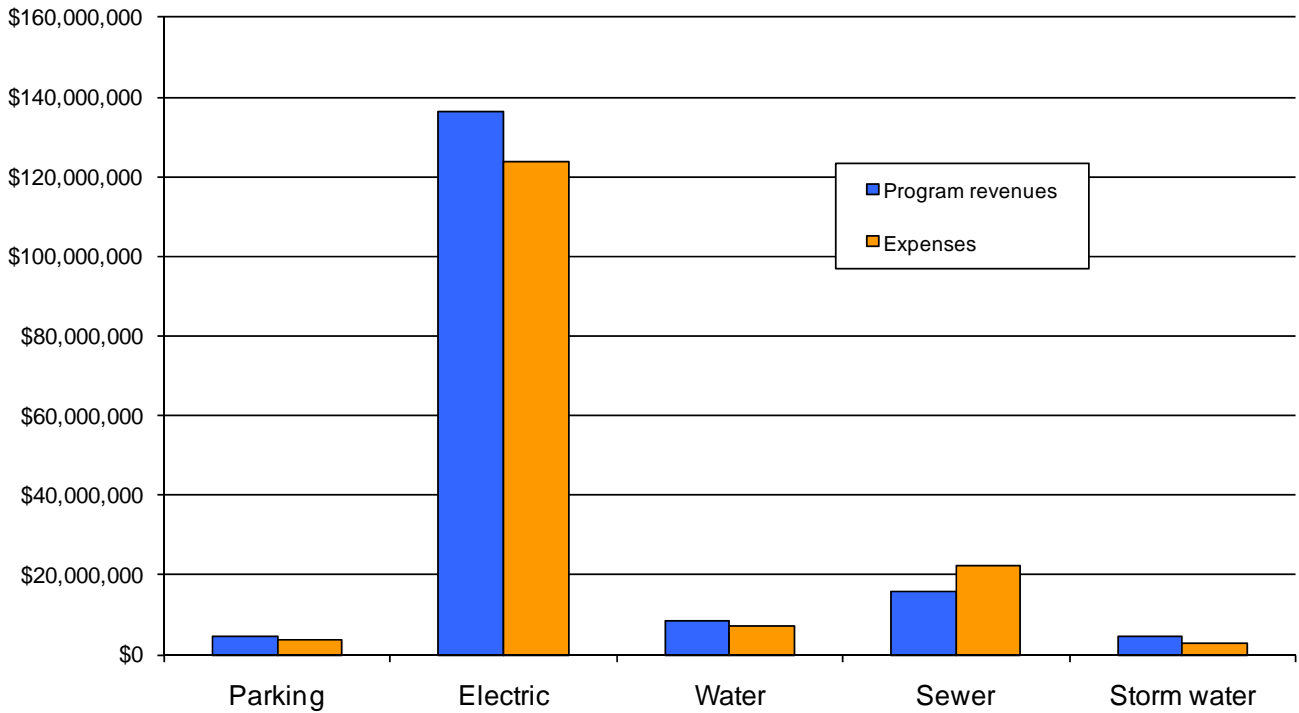
Revenues by Source - Governmental Activities



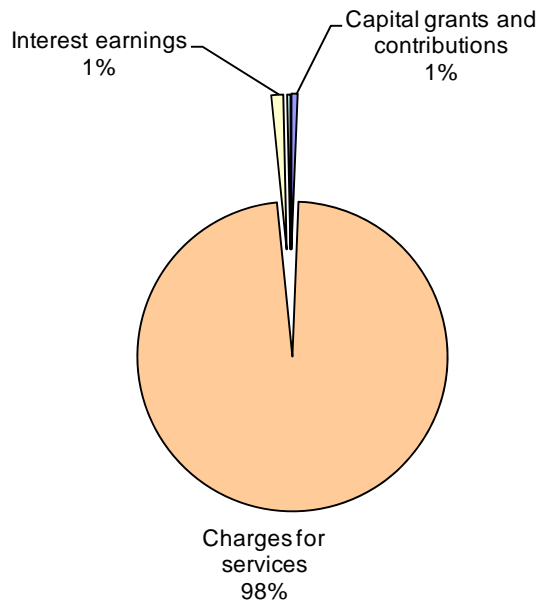
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$110,783,162, a decrease of \$2,508,086 from the prior year. The general fund and other governmental funds increased fund balance, however, this was offset by the decline in the capital improvement fund of \$6.4 million. This was the result of the use of cash reserves for various approved projects (primarily the Bio Science Center and the Public Works Operations Center) as well as a right of way settlement in the capital improvement fund. Much of this reduction will be replenished through the planned issuance of bonds in 2010 for the Public Works Operation Center. Approximately 51.1 percent of the total fund balance, or \$56,651,952, 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. The primary reservations of fund balance are 1) to liquidate contracts and purchase orders of the prior period (\$16,337,964), 2) to repay interfund advances or other debt (\$1,094,443), 3) Land held for resale (\$650,000) or 4) to fund specific capital projects or programs as obligated by statute or other regulation (\$35,998,424).

The general fund is the chief operating fund of the City of Rochester. The general fund increased its total fund balance by \$2,494,468 from the prior year. At the end of the current fiscal year, unreserved fund balance of the general fund was \$22,043,737 while total fund balance amounted to \$22,536,651. 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 40.6 percent of total general fund expenditures, while total fund balance represents 41.5 percent of that same amount.

The library fund increased its fund balance by \$331,426 for the year after transferring \$22,551 to the capital projects fund for future equipment purchases. The municipal recreation fund increased its fund balance by \$673,030 after higher than expected activity revenues in most areas and improved cost control in nearly every program. The airport fund decreased its total fund balance by \$240,934 for the year to \$5,042,372. This decline was the result of slightly lower than anticipated landing charges as well as slightly higher expenses coupled with a transfer of nearly \$200,000 to capital projects. The transit fund saw an increase in fund balance of \$213,686 after higher than anticipated transit aid reimbursement and lower operating costs with the contracted provider. Economic development administration increased fund balance by \$504,953 due to operations of the Bio Business Center.

Debt service fund balances decreased by \$151,553 this year reflecting the use of reserves held for payments on the Energy Improvement Loan as well as reserves for payment on the new Bioscience Building bonds.

The construction improvement fund decreased fund balance by \$6,372,578 as bond proceeds and cash reserves were used to fund approved projects and pay a right of way settlement.

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

Proprietary funds. The City of Rochester's *proprietary funds* statements found on pages 26-33 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 - \$12,152,227 Electric - \$45,511,508, Water - \$5,438,982, Sewer - \$20,224,054 and Storm water - \$1,187,055. With the exception of the Sewer Utility, all proprietary funds reported increases in total net assets for the year. The Parking Enterprise contributed funding for the Rochester Bio Business Center and its supporting parking expansion. The Sewer Utility similarly transferred out nearly \$2 million in equity to the construction improvement fund. The Sewer Utility reported a \$5 million reduction in net assets for the year as revenues fell short of plan due to lower sewer flows.

The Sewer Utility's rates were adjusted 8.5 percent effective January of 2009 based upon an update to the service costing study completed during 2005. A new update to that study was completed by the end of 2009 and the city council adopted a new six-year schedule of rate adjustments through 2015. In addition, the new "plant investment fee" instituted in 2005 was increased from \$2,000 per residential equivalent in 2008 to \$2,500 in 2009 and is now scheduled to increase \$100 per year to \$3,000 by 2015. The new schedule of rate increases was necessary as sewer flows were below plan. Housing starts were also down and continued water usage efficiency gains reduce sewer usage beyond our earlier expectations.

The Water Utility's rates were not increased during 2009 and water usage was down slightly due to the cooler and wetter summer. Total 2009 water revenues were even with 2008 at \$8.2 million. Conservation rates are being implemented for 2010 which will have varied impacts on users depending upon use levels.

The Electric Utility rates were increased a total of 4 percent in February of 2008 and 5 percent on January of 2009. No rate increase is anticipated in this utility for 2010.

Parking rates were also adjusted to reflect cost and demand. The street metered rates were increased in a range from 12.5 percent to 25 percent effective 1/1/2009 depending upon location and associated demand. Monthly ramp rates increased between 5 and 7 percent effective 1/1/2009 at all ramps and were equalized across all ramps for overnight parking charges. The discount offered to local hotels was also decreased (if paid on time) from a 10 percent discount to a 5 percent discount effective 1/1/2009.

The storm water utility rates were held to the same level as the prior year however, this utility did increase the "customer charge" from \$1.00 per month in 2008 to \$2.00 per month in 2009. This customer charge is slated to increase to \$3.00 per month by the year 2011 and the per acre rate is scheduled to increase from the current 12.77 per acre per month to 13.15 in January of 2010 and 13.54 per acre per month in 2011.

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

General Fund Budgetary Highlights

The City approved the 2009 general fund budget anticipating a "balanced budget" or slight decrease in fund balance.

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

- Decrease in local government aid from original certified 2009 amounts by nearly \$1.7 million due to State budget shortfalls not anticipated at budget time.
- Increase in the City Attorney's budget to address unplanned expenditures for legal consultants, increase in the Finance department to address payout of accrued compensation to a retiring employee and
- Reductions in unallocated / contingency account to address state aid reductions.

At the close of the year, general fund total expenditures were \$5,221,490 below final budget while actual revenues fell short of the final budget by \$388,665. Much of the lower expenses can be traced to greater engineering charge-backs from project designs, a delay in hiring of approved positions in police, early-implementation by employees of an unpaid furlough leave program slated for 2010 and remaining amounts in the contingency budget. The lower than expected revenues are primarily the results of reduced building permit revenues.

**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, 2009, amounts to \$1,056,958,179 (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 \$15,063,681, or 1.4 percent. This increase was concentrated in the governmental activities in 2009 as construction in progress grew due to the Bio Business Center construction and the groundwork for the Public Works Operation Center was completed. Additional gains in the governmental activities came from street network additions. Within the business-type activities the most significant increases occurred with the expansion of underground mains as well as new distribution and transmission facilities in the electric utility.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 57,858,795	\$ 57,158,575	\$ 12,779,911	\$ 12,409,143	\$ 70,638,706	\$ 69,567,718
Buildings	82,718,354	79,847,244	248,623,661	237,327,066	331,342,015	317,174,310
Improvements other than buildings	28,379,530	24,641,706			28,379,530	24,641,706
Machinery and equipment	23,553,152	24,104,461	249,580,501	224,492,079	273,133,653	248,596,540
Infrastructure	252,799,945	255,112,390			252,799,945	255,112,390
Construction in progress	67,290,285	59,085,737	33,374,045	67,716,097	100,664,330	126,801,834
Total	<u>\$ 512,600,061</u>	<u>\$ 499,950,113</u>	<u>\$ 544,358,118</u>	<u>\$ 541,944,385</u>	<u>\$ 1,056,958,179</u>	<u>\$ 1,041,894,498</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 51-53 of this report.

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$261,846,039 in bonds and notes outstanding. Of this amount, \$146,194,806 comprises debt backed by the full faith and credit of the government, \$110,977,776 represents bonds and notes secured solely by specified revenue sources and \$4,445,205 represents an energy loan payable through savings in costs from energy improvements. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.

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

City of Rochester's Outstanding Debt

General Obligation and Revenue Bonds, Notes Payable and Capital Lease

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 10,036,806	\$ 2,286,921	\$	\$	\$ 10,036,806	\$ 2,286,921
General obligation revenue bonds			131,200,000	134,290,000	131,200,000	134,290,000
General obligation revenue notes	4,143,000	4,349,000			4,143,000	4,349,000
General obligation equipment certificates of indebtedness	815,000				815,000	
Revenue bonds	16,600,000	16,600,000	83,525,000	85,285,000	100,125,000	101,885,000
Notes payable	237,776	304,172	10,615,000	4,940,000	10,852,776	5,244,172
Energy loan payable	4,445,205	4,846,199			4,445,205	4,846,199
Capital Lease			228,252	450,604	228,252	450,604
Total	\$ 36,277,787	\$ 28,386,292	\$ 225,568,252	\$ 224,965,604	\$ 261,846,039	\$ 253,351,896

The City of Rochester's total bonds and notes payable increased by \$8,494,143 during the current fiscal year.

In March of 2009, the City issued \$8,035,000 in Taxable General Obligation Tax Increment Revenue Bonds as the final financing for the Bio Business Center construction.

The City also issued a \$815,000 G.O. Equipment Certificates of Indebtedness in March of 2009.

The City's electric utility issued a \$6,790,000 Electric Utility Note in September of 2009 through the Minnesota Consortium of Municipal Utilities for transmission distribution and substation projects.

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 57.

The City of Rochester maintains a AAA bond rating on its general obligation bonds from both Moody's Investors Service and Standard and Poors. Rochester Public Utility has Aa2 rating from Moody's Investors Service and an AA- rating from Fitch, reflecting the utility's strong financial performance, good liquidity, and diminishing threat of retail regulation.

Economic Factors and Next Year's Budgets and Rates

- Rochester's unemployment rate decreased to 6.7 percent by the end of March 2009, down from 7.3 percent one year ago. While still higher than Rochester's historical average, it remains below the state and U.S. averages of 8.2 and 9.7 percent respectively. Total employment over the last 12 months ending March of 2009 has shown a decrease of 941 jobs, primarily in the goods producing sector as the services sector has remained relatively flat for the year.

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

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

- Commercial and residential permits began to show slight signs of recovery for the first quarter of 2010 as total permit value climbed to \$45.3 million, up 30.2 percent from the same quarter last year.
- Property tax reforms at the state level continue to impact government aid payments made to the City. Rochester has sustained reductions in annual state aid of \$7.86 million per year, or 70.5 percent, since 2003. The 2010 certified aid has been reduced twice, for a total reduction of nearly \$5.7 million. Tentative reduction plans for 2010 have already been submitted to the City Administrator by the department heads. Expectations for 2011 at the State level are even worse, with a current \$5.8 billion shortfall for the biennium.
- The establishment of a University of Minnesota presence in the downtown is providing impetus for new development activity and service demands in this area.
- The Rochester Economic Development Authority's construction of a 9-story bioscience building with significant portions already leased to medical and related technology companies and a new restaurant opened on the first floor is bringing additional jobs and activity to the downtown.
- Interest rates have decreased in 2009, making future earnings of the City's investment portfolio difficult to maintain at current levels.

All of these factors were considered in preparing the City of Rochester's budget for the 2010 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 2010 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.

CITY OF ROCHESTER, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals as of December 31, 2008

	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
ASSETS				
Cash and cash equivalents	\$ 11,919,092	\$ 9,555,338	\$ 21,474,430	\$ 39,348,592
Investments	132,913,807	64,531,601	197,445,408	154,614,280
Land held for resale	650,000		650,000	
Receivables (net of allowance for uncollectibles)	26,328,640	8,242,127	34,570,767	34,244,801
Internal balances	(3,068,994)	3,068,994		
Due from other governmental units	6,836,430	16,037	6,852,467	5,051,207
Accrued utility revenues		3,574,482	3,574,482	3,060,872
Restricted and reserved cash and investments	32,591	19,972,102	20,004,693	38,149,454
Inventory	148,907	11,801,751	11,950,658	16,116,048
Prepaid items	17,788	164,887	182,675	343,310
Deferred charges and other assets		1,896,451	1,896,451	1,957,900
Capital assets:				
Nondepreciable	125,149,080	46,153,956	171,303,036	196,369,552
Depreciable, net	387,450,981	498,204,162	885,655,143	845,524,946
Total Assets	<u>688,378,322</u>	<u>667,181,888</u>	<u>1,355,560,210</u>	<u>1,334,780,962</u>
LIABILITIES				
Accounts and contracts payable	6,512,632	10,228,457	16,741,089	15,005,448
Deposits payable	1,431,519	678,625	2,110,144	2,016,586
Accrued interest payable	815,467	2,097,782	2,913,249	2,577,456
Accrued compensation and payroll taxes	1,946,218	742,437	2,688,655	2,472,827
Accrued claims	1,851,883	49,000	1,900,883	1,741,799
Due to other governmental units	1,133,297	513,448	1,646,745	3,799,565
Unearned revenue	19,231	1,840,783	1,860,014	1,513,378
Noncurrent liabilities:				
Due within one year	6,610,527	8,803,118	15,413,645	12,400,272
Due in more than one year	39,810,799	225,418,820	265,229,619	258,811,883
Total Liabilities	<u>60,131,573</u>	<u>250,372,470</u>	<u>310,504,043</u>	<u>300,339,214</u>
NET ASSETS				
Invested in capital assets, net of related debt	476,465,001	329,040,537	805,505,538	816,537,863
Restricted for:				
Airport	5,961,014		5,961,014	7,091,358
CDBG loans	3,471,639		3,471,639	3,266,358
Civic music endowment	32,591		32,591	29,273
Flood control	23,854,897		23,854,897	26,544,612
Sales tax authorized projects	11,224,885		11,224,885	4,689,051
Unrestricted	<u>107,236,722</u>	<u>87,768,881</u>	<u>195,005,603</u>	<u>176,283,233</u>
Total Net Assets	<u>\$ 628,246,749</u>	<u>\$ 416,809,418</u>	<u>\$1,045,056,167</u>	<u>\$1,034,441,748</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 6,943,475	\$ 501,912	\$ 23,133	\$ 53,000
Public safety	37,982,196	4,705,781	1,701,466	395,656
Public works	24,551,047	194,890	48,921	8,947,997
Airport	5,572,561	2,678,608	232,548	2,763,709
Transit	4,465,509	659,012	3,316,163	1,393,075
Culture	7,698,935	412,840	1,514,495	38,876
Park and recreation	15,631,196	6,810,599	2,476,659	249,596
Economic development/tourism	6,545,075	63,291	1,090,661	3,729,571
Community reinvestment/unallocated	572,515			
Interest on long-term debt	1,574,213			
Total governmental activities	<u>111,536,722</u>	<u>16,026,933</u>	<u>10,404,046</u>	<u>17,571,480</u>
Business-Type activities:				
Parking	3,731,599	4,701,251		
Electric utility	123,933,285	136,149,438		16,444
Water utility	7,172,964	8,192,390		165,719
Sewer utility	22,180,957	15,150,978		480,159
Storm water utility	2,721,314	4,239,649		426,075
Total business-type activities	<u>159,740,119</u>	<u>168,433,706</u>		<u>1,088,397</u>
Total	<u>\$ 271,276,841</u>	<u>\$ 184,460,639</u>	<u>\$ 10,404,046</u>	<u>\$ 18,659,877</u>
General revenues:				
General property taxes				
Tax increments collection				
Sales tax				
Nonproperty taxes				
Grants and contributions not restricted to specific programs				
Interest earnings				
Gain on disposition of property				
Net increase (decrease) in the fair value of investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2009	2008
\$ (6,365,430)		\$ (6,365,430)	\$ (6,661,409)
(31,179,293)		(31,179,293)	(29,436,342)
(15,359,239)		(15,359,239)	(5,398,840)
102,304		102,304	503,419
902,741		902,741	611,537
(5,732,724)		(5,732,724)	(5,936,280)
(6,094,342)		(6,094,342)	(8,026,594)
(1,661,552)		(1,661,552)	2,438,341
(572,515)		(572,515)	(1,351,984)
(1,574,213)		(1,574,213)	(1,194,906)
<u>(67,534,263)</u>		<u>(67,534,263)</u>	<u>(54,453,058)</u>
	\$ 969,652	969,652	991,807
	12,232,597	12,232,597	14,475,496
	1,185,145	1,185,145	2,140,315
	(6,549,820)	(6,549,820)	(8,206,712)
	1,944,410	1,944,410	4,874,993
	<u>9,781,984</u>	<u>9,781,984</u>	<u>14,275,899</u>
<u>(67,534,263)</u>	<u>9,781,984</u>	<u>(57,752,279)</u>	<u>(40,177,159)</u>
39,179,058		39,179,058	37,734,057
1,686,611		1,686,611	1,590,432
9,192,275		9,192,275	9,594,526
4,909,229		4,909,229	4,773,328
8,799,788	33,451	8,833,239	7,252,419
4,695,597	2,142,150	6,837,747	10,567,845
30,671		30,671	401,516
(2,517,582)	(243,846)	(2,761,428)	3,110,538
819,814	(360,518)	459,296	124,828
5,735,310	(5,735,310)		
<u>72,530,771</u>	<u>(4,164,073)</u>	<u>68,366,698</u>	<u>75,149,489</u>
4,996,508	5,617,911	10,614,419	34,972,330
<u>623,250,241</u>	<u>411,191,507</u>	<u>1,034,441,748</u>	<u>999,469,418</u>
<u>\$ 628,246,749</u>	<u>\$ 416,809,418</u>	<u>\$ 1,045,056,167</u>	<u>\$ 1,034,441,748</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2009

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2009

With Comparative Totals as of December 31, 2008

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2009	2008
ASSETS					
Cash and cash equivalents	\$ 6,531,888	\$ 3,873,284	\$ 997,603	\$ 11,402,775	\$ 6,318,399
Investments	16,555,001	70,375,206	10,786,700	97,716,907	105,171,580
Land held for resale		650,000		650,000	
Accrued interest receivable	629,109	413,800	65,400	1,108,309	1,278,081
Accounts receivable (net of allowance for uncollectibles)	457,904	1,646,755	1,312,699	3,417,358	3,853,969
Loans receivable		2,863,774	3,471,639	6,335,413	5,134,320
Taxes receivable delinquent	540,562	109,808	240,084	890,454	621,292
Special assessments receivable:					
Deferred		12,686,488		12,686,488	13,181,117
Delinquent	1,147	1,478,275	5,041	1,484,463	910,858
Utility connection charges receivable:					
Deferred		190,188		190,188	297,447
Due from other funds	885,372	143,421	15,680	1,044,473	1,249,127
Due from other governmental units	1,120,997	5,297,453	417,066	6,835,516	5,014,877
Advances to other funds		473,574		473,574	693,217
Prepaid items	10,244		7,544	17,788	115,119
Restricted cash	32,591			32,591	29,273
Inventory	120,363		28,544	148,907	139,713
TOTAL ASSETS	\$ 26,885,178	\$ 100,202,026	\$ 17,348,000	\$ 144,435,204	\$ 144,008,389
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts and contracts payable	\$ 706,931	\$ 5,049,054	\$ 603,214	\$ 6,359,199	\$ 2,728,999
Deposits payable	795,303	4,300	524,878	1,324,481	1,304,641
Accrued compensation and payroll taxes	1,545,031		384,543	1,929,574	1,787,477
Due to other funds	549,750	45,640	263,022	858,412	770,706
Due to other governmental units	209,802	708,895	201,096	1,119,793	3,287,068
Advances from other funds			473,574	473,574	693,217
Deferred revenue	541,710	17,328,535	3,716,764	21,587,009	20,145,033
Total Liabilities	4,348,527	23,136,424	6,167,091	33,652,042	30,717,141
Fund Balance:					
Reserved for:					
Restricted assets	32,591			32,591	29,273
Prepaid items	10,244		7,544	17,788	115,119
Debt service			620,869	620,869	772,422
Interfund advances		473,574		473,574	693,217
Encumbrances	450,079	15,660,931	226,954	16,337,964	15,489,413
Airport		918,642		918,642	1,808,052
Flood control		23,854,897		23,854,897	26,544,612
Sales tax authorized projects		11,224,885		11,224,885	4,689,051
Land held for resale		650,000		650,000	
Unreserved, designated, reported in:					
General fund	7,525,206			7,525,206	7,747,202
Special revenue funds			2,168,337	2,168,337	1,957,258
Unreserved, undesignated, reported in:					
General fund	14,518,531			14,518,531	11,687,158
Capital projects fund		24,282,673		24,282,673	34,726,536
Special revenue funds			8,157,205	8,157,205	7,031,935
Total Fund Balance	22,536,651	77,065,602	11,180,909	110,783,162	113,291,248
TOTAL LIABILITIES AND FUND BALANCE	\$ 26,885,178	\$ 100,202,026	\$ 17,348,000	\$ 144,435,204	\$ 144,008,389

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, 2009

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

Total governmental fund balances (page 20)		\$ 110,783,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 698,111,650	
Less: Accumulated depreciation	<u>(196,293,693)</u>	501,817,957
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	\$ 2,374,920	
Deferred special assessments and utility connection agreements	12,876,676	
Loans receivable	<u>6,335,413</u>	21,587,009
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.		
		39,309,557
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	\$ (35,462,787)	
Compensated absences	(9,134,493)	
Accrued interest	(796,383)	
Unamortized bond issuance costs	<u>142,727</u>	<u>(45,250,936)</u>
Net assets of governmental activities (page 17)		<u>\$ 628,246,749</u>

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

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2009	2008
REVENUES					
General property taxes	\$ 24,407,589	\$ 4,225,103	\$ 10,173,458	\$ 38,806,150	\$ 37,400,201
Tax increments collection		1,280,721	405,890	1,686,611	1,590,432
Sales tax		8,874,423	317,852	9,192,275	9,594,526
Special assessments		1,533,001		1,533,001	1,572,955
Utility connection and availability		326,051		326,051	550,149
Nonproperty taxes	4,909,229			4,909,229	4,773,328
Licenses and permits	2,279,973			2,279,973	2,680,368
Fines and forfeits	544,259			544,259	524,331
Intergovernmental revenues	10,404,980	13,670,606	5,584,388	29,659,974	29,181,062
Charges for services	2,873,750	485,101	10,328,950	13,687,801	13,861,583
Contributions in aid of construction		211,374		211,374	888,348
Interest earnings	652,458	2,686,938	309,992	3,649,388	4,951,680
Net increase (decrease) in the fair value of investments	(111,682)	(1,763,700)	(133,300)	(2,008,682)	2,045,623
Miscellaneous revenues	231,563	1,660,523	1,480,488	3,372,574	1,321,646
Total Revenues	46,192,119	33,190,141	28,467,718	107,849,978	110,936,232
EXPENDITURES					
Current:					
General government	6,691,631			6,691,631	6,873,581
Public safety	34,952,597		33,801	34,986,398	34,891,804
Public works	9,096,795			9,096,795	10,640,690
Airport operations			3,038,389	3,038,389	3,192,454
Transit			3,791,674	3,791,674	3,781,225
Culture	1,175,929		5,720,878	6,896,807	7,099,224
Park and recreation			12,024,541	12,024,541	11,728,868
Economic development/tourism	1,858,180		743,139	2,601,319	2,352,074
Community reinvestment and unallocated	572,108			572,108	633,038
Debt service			2,243,307	2,243,307	1,537,607
Capital outlay		46,496,499		46,496,499	55,245,719
Total Expenditures	54,347,240	46,496,499	27,595,729	128,439,468	137,976,284
Excess (deficiency) of revenues over (under) expenditures	(8,155,121)	(13,306,358)	871,989	(20,589,490)	(27,040,052)
OTHER FINANCING SOURCES (USES)					
Sale of land					360,000
Issuance of debt		7,600,000	435,000	8,035,000	9,200,000
Transfers in	10,830,872	2,868,940	1,022,366	14,722,178	23,646,860
Transfers out	(181,283)	(3,535,160)	(959,331)	(4,675,774)	(8,579,997)
Total other financing sources (uses)	10,649,589	6,933,780	498,035	18,081,404	24,626,863
Net change in fund balances	2,494,468	(6,372,578)	1,370,024	(2,508,086)	(2,413,189)
Fund Balance - beginning	20,042,183	83,438,180	9,810,885	113,291,248	115,704,437
Fund Balance - ending	\$ 22,536,651	\$ 77,065,602	\$ 11,180,909	\$ 110,783,162	\$ 113,291,248

See Notes to the Financial Statements

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

For the Year Ended December 31, 2009

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

Net change in fund balances - total governmental funds (page 22) \$ (2,508,086)

Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay-construction improvement	\$ 46,496,499	
Capital outlay-other governmental funds	873,289	
Depreciation expense	<u>(15,637,639)</u>	31,732,149

Infrastructure contributed from governmental activities to business-type activities reduces governmental net assets but does not effect fund balance. (4,250,971)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (15,758,304)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue, December 31, 2009	\$ 21,587,009	
Deferred revenue, December 31, 2008	<u>(20,145,033)</u>	1,441,976

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences, December 31, 2009	\$ (9,134,493)	
Compensated absences, December 31, 2008	<u>8,700,214</u>	(434,279)

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.

Principal retirement on long-term debt	\$ 958,505	
Issuance of debt	(8,035,000)	
Change in accrued interest	(341,742)	
Bond issuance costs incurred	76,680	
Amortization of bond issuance costs	<u>(5,769)</u>	(7,347,326)

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

2,121,349

Change in net assets of governmental activities (pages 18 and 19) \$ 4,996,508

CITY OF ROCHESTER, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 25,549,558	\$ 24,634,295	\$ 24,407,589	\$ (226,706)	\$ 22,321,059
Nonproperty taxes	4,750,000	4,750,000	4,909,229	159,229	4,773,328
Licenses and permits	2,586,852	2,586,852	2,279,973	(306,879)	2,680,368
Fines and forfeits	431,000	513,293	544,259	30,966	524,331
Intergovernmental	10,601,084	10,401,056	10,404,980	3,924	8,808,834
Charges for services	2,876,884	3,072,601	2,873,750	(198,851)	3,302,051
Interest earnings	402,161	402,664	652,458	249,794	747,173
Net increase (decrease) in the fair value of investments			(111,682)	(111,682)	117,760
Miscellaneous	159,150	220,023	231,563	11,540	237,011
Total Revenues	<u>47,356,689</u>	<u>46,580,784</u>	<u>46,192,119</u>	<u>(388,665)</u>	<u>43,511,915</u>
EXPENDITURES					
Current:					
General Government:					
Mayor and Council	746,817	894,317	810,193	84,124	791,363
City Administrator	595,375	589,475	571,890	17,585	562,159
Development District Administration	150,542	150,542	143,881	6,661	143,566
City Clerk	321,410	323,520	313,141	10,379	319,026
Elections and Voter Registration	21,465	21,465	12,303	9,162	144,315
Finance Department	1,208,324	1,224,317	1,209,208	15,109	1,164,458
Information Systems	1,221,885	1,162,725	1,014,405	148,320	1,023,035
City Attorney	1,214,133	1,246,656	1,221,057	25,599	1,291,059
Human Resources	1,081,948	1,085,569	934,669	150,900	932,264
Planning and Zoning	27,321	27,321	24,197	3,124	27,298
City Hall Maintenance	492,304	496,900	436,687	60,213	475,038
Total General Government	<u>7,081,524</u>	<u>7,222,807</u>	<u>6,691,631</u>	<u>531,176</u>	<u>6,873,581</u>
Public Safety:					
Police Department	19,736,231	19,914,625	18,628,018	1,286,607	18,570,963
Fire Department	12,950,072	12,957,224	12,521,062	436,162	12,242,235
Fire Hazmat Response Team	22,500	111,906	116,419	(4,513)	71,353
Building Safety	2,768,289	2,756,181	2,651,221	104,960	2,734,479
Animal Control	359,260	298,630	273,264	25,366	355,426
Drug Enforcement Administration		138,147	25,649	112,498	34,990
Flood Control	440,033	443,009	442,507	502	555,622
Emergency Mgmt/Safety Council	321,127	294,457	294,457		302,322
Total Public Safety	<u>36,597,512</u>	<u>36,914,179</u>	<u>34,952,597</u>	<u>1,961,582</u>	<u>34,867,390</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, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Current:					
Public Works:					
Engineering	\$ 3,206,491	\$ 3,111,792	\$ 1,865,805	\$ 1,245,987	\$ 2,173,469
Traffic Engineer	1,207,412	1,173,486	1,095,563	77,923	1,161,762
Street and Alley	5,312,181	5,260,919	4,865,025	395,894	6,080,255
City Lighting	1,136,013	1,271,013	1,270,402	611	1,225,204
Total Public Works	<u>10,862,097</u>	<u>10,817,210</u>	<u>9,096,795</u>	<u>1,720,415</u>	<u>10,640,690</u>
Culture:					
Art Center/Theatre	292,538	292,538	292,641	(103)	327,011
Music Department	865,555	1,017,938	883,288	134,650	840,131
Total Culture	<u>1,158,093</u>	<u>1,310,476</u>	<u>1,175,929</u>	<u>134,547</u>	<u>1,167,142</u>
Economic Development/Tourism	<u>1,790,500</u>	<u>1,859,875</u>	<u>1,858,180</u>	<u>1,695</u>	<u>1,808,957</u>
Community Reinvestment and Unallocated	<u>1,711,301</u>	<u>1,444,183</u>	<u>572,108</u>	<u>872,075</u>	<u>633,038</u>
Total Expenditures	<u>59,201,027</u>	<u>59,568,730</u>	<u>54,347,240</u>	<u>5,221,490</u>	<u>55,990,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,844,338)</u>	<u>(12,987,946)</u>	<u>(8,155,121)</u>	<u>4,832,825</u>	<u>(12,478,883)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,603,042	11,613,042	10,830,872	(782,170)	11,160,104
Transfers out	(164,076)	(164,076)	(181,283)	(17,207)	(353,019)
Total other financing sources (uses)	<u>11,438,966</u>	<u>11,448,966</u>	<u>10,649,589</u>	<u>(799,377)</u>	<u>10,807,085</u>
Net change in fund balances	<u>(405,372)</u>	<u>(1,538,980)</u>	<u>2,494,468</u>	<u>4,033,448</u>	<u>(1,671,798)</u>
Fund Balance - beginning	<u>20,042,183</u>	<u>20,042,183</u>	<u>20,042,183</u>		<u>21,713,981</u>
Fund Balance - ending	<u>\$19,636,811</u>	<u>\$18,503,203</u>	<u>\$22,536,651</u>	<u>\$ 4,033,448</u>	<u>\$20,042,183</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals as of December 31, 2008

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 52,640	\$ 8,086,215	\$ 1,250,601
Investments	7,702,087	29,862,005	4,618,409
Accrued interest receivable	73,500	15,839	
Accounts receivable	99,235	7,480,053	374,657
Accrued utility revenues		3,546,356	28,126
Taxes receivable delinquent			
Inventory, material, supplies and fuel		11,657,962	119,555
Due from other funds			
Due from other governmental units	271		
Prepaid items		164,887	
Restricted and reserved cash	4,441,813	8,617,926	
Total Current Assets	12,369,546	69,431,243	6,391,348
Noncurrent Assets:			
Capital assets:			
Nondepreciable	7,678,485	18,790,554	6,127,350
Depreciable	28,778,883	274,222,069	107,115,452
Less: Accumulated depreciation	(15,706,136)	(107,221,375)	(30,168,594)
Net capital assets	20,751,232	185,791,248	83,074,208
Deferred charges and other assets		1,391,862	5,772
Total Noncurrent Assets	20,751,232	187,183,110	83,079,980
Total Assets	33,120,778	256,614,353	89,471,328
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	51,859	9,750,443	232,593
Deposits payable	25,058	449,114	4,843
Accrued interest payable		316,813	
Accrued compensation and payroll taxes	11,626	552,434	64,040
Accrued compensated absences	34,298	1,485,567	150,357
Due to other funds	249	1,519,369	147,444
Due to other governmental units	46,204	450,660	9,395
Accrued claims			
Unearned revenue		403,000	200,751
Bonds and capital lease payable		3,858,252	410,000
Total Current Liabilities	169,294	18,785,652	1,219,423
Noncurrent Liabilities:			
Bonds payable		88,311,129	
Unamortized bond premium		2,461,878	
Bonds payable, net		90,773,007	
Obligation under capital lease			
Accrued compensated absences	48,025	1,382,056	148,716
Accrued claims		49,000	
Post employment benefit obligation			
Unearned lease revenues		738,215	
Total Noncurrent Liabilities	48,025	92,942,278	148,716
Total Liabilities	217,319	111,727,930	1,368,139
NET ASSETS			
Invested in capital assets, net of related debt	20,751,232	99,374,915	82,664,207
Unrestricted	12,152,227	45,511,508	5,438,982
Total Net Assets	\$ 32,903,459	\$ 144,886,423	\$ 88,103,189

Amounts reported by business-type activities in the statement of net assets (page 17) 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		2009	2008
		2009	2008		
\$ 124,290	\$ 41,592	\$ 9,555,338	\$ 32,654,218	\$ 516,317	\$ 375,975
21,430,600	918,500	64,531,601	17,646,900	35,196,900	31,795,800
130,594	5,600	225,533	235,796	213,100	246,200
60,760	1,889	8,016,594	8,482,597		
		3,574,482	3,060,872		
				2,867	3,124
24,234		11,801,751	15,976,335		
1,322,151	348,794	1,670,945	2,059,994		
15,236	530	16,037	33,952	914	2,378
		164,887	228,191		
6,912,363		19,972,102	38,120,181		
<u>30,020,228</u>	<u>1,316,905</u>	<u>119,529,270</u>	<u>118,499,036</u>	<u>35,930,098</u>	<u>32,423,477</u>
7,879,231	5,678,336	46,153,956	80,125,240	103,357	
297,806,705	45,424,579	753,347,688	699,282,658	25,826,412	23,579,500
(97,140,929)	(4,906,492)	(255,143,526)	(237,463,513)	(15,147,665)	(13,724,470)
<u>208,545,007</u>	<u>46,196,423</u>	<u>544,358,118</u>	<u>541,944,385</u>	<u>10,782,104</u>	<u>9,855,030</u>
456,302	42,515	1,896,451	1,957,900		
<u>209,001,309</u>	<u>46,238,938</u>	<u>546,254,569</u>	<u>543,902,285</u>	<u>10,782,104</u>	<u>9,855,030</u>
<u>239,021,537</u>	<u>47,555,843</u>	<u>665,783,839</u>	<u>662,401,321</u>	<u>46,712,202</u>	<u>42,278,507</u>
145,391	48,171	10,228,457	12,268,962	153,433	7,487
199,610		678,625	563,102	126,269	148,843
1,780,969		2,097,782	2,122,815	19,084	
100,054	14,283	742,437	669,835	16,644	15,515
247,096	27,548	1,944,866	1,754,530		
161,183	28,761	1,857,006	2,538,415		
6,320	869	513,448	499,219	13,504	13,278
				1,256,812	1,265,733
456,302	42,515	1,102,568	738,743		
2,590,000		6,858,252	4,762,352	75,000	
<u>5,686,925</u>	<u>162,147</u>	<u>26,023,441</u>	<u>25,917,973</u>	<u>1,660,746</u>	<u>1,450,856</u>
128,610,000		216,921,129	218,048,887	740,000	
4,203,610		6,665,488	7,090,067		
<u>132,813,610</u>		<u>223,586,617</u>	<u>225,138,954</u>	<u>740,000</u>	
			228,252		
243,188	10,218	1,832,203	1,680,382		
		49,000	93,000	595,071	383,066
				1,151,773	632,995
		738,215	774,635		
<u>133,056,798</u>	<u>10,218</u>	<u>226,206,035</u>	<u>227,915,223</u>	<u>2,486,844</u>	<u>1,016,061</u>
<u>138,743,723</u>	<u>172,365</u>	<u>252,229,476</u>	<u>253,833,196</u>	<u>4,147,590</u>	<u>2,466,917</u>
80,053,760	46,196,423	329,040,537	344,902,226	9,967,104	9,855,030
20,224,054	1,187,055	84,513,826	63,665,899	32,597,508	29,956,560
<u>\$ 100,277,814</u>	<u>\$ 47,383,478</u>	<u>413,554,363</u>	<u>408,568,125</u>	<u>\$ 42,564,612</u>	<u>\$ 39,811,590</u>
		3,255,055	2,623,382		
		<u>\$ 416,809,418</u>	<u>\$ 411,191,507</u>		

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

For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 4,701,251	\$	\$
Sales and charges for services, pledged as security for revenue bonds		130,645,224	7,424,541
Miscellaneous		5,504,214	767,849
Total Operating Revenues	<u>4,701,251</u>	<u>136,149,438</u>	<u>8,192,390</u>
Operating Expenses:			
Purchased power		81,138,926	
Maintenance and operations	2,828,691	30,996,205	5,078,857
Depreciation	914,455	8,220,987	2,110,054
Total Operating Expenses	<u>3,743,146</u>	<u>120,356,118</u>	<u>7,188,911</u>
Operating Income (Loss)	<u>958,105</u>	<u>15,793,320</u>	<u>1,003,479</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	577		
Interest earnings	357,438	947,300	155,245
Net increase (decrease) in the fair value of investments	(177,500)		
Interest and fiscal charges		(4,036,581)	(36,490)
Gain (loss) on disposal of property			
Other income (expense)	102	(672,130)	(116,899)
Total Nonoperating Revenues (Expenses)	<u>180,617</u>	<u>(3,761,411)</u>	<u>1,856</u>
Income (Loss) Before Transfers and Contributions	1,138,722	12,031,909	1,005,335
Capital contributions			2,595,007
Transfers in			
Transfers out	(442,218)	(8,242,341)	(359,648)
Change in net assets	696,504	3,789,568	3,240,694
Net Assets - Beginning of Year	<u>32,206,955</u>	<u>141,096,855</u>	<u>84,862,495</u>
Net Assets - End of Year	<u>\$ 32,903,459</u>	<u>\$ 144,886,423</u>	<u>\$ 88,103,189</u>

Amounts reported by business-type activities in the statement of activities (page 22) 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		2009	2008
		2009	2008		
\$	\$ 4,163,810	\$ 8,865,061	\$ 8,022,854	\$ 16,551,900	\$ 16,624,230
15,102,124		153,171,889	163,148,339		
48,854	75,839	6,396,756	6,217,520		
<u>15,150,978</u>	<u>4,239,649</u>	<u>168,433,706</u>	<u>177,388,713</u>	<u>16,551,900</u>	<u>16,624,230</u>
		81,138,926	79,934,588		
7,733,136	1,871,274	48,508,163	58,854,863	12,419,546	10,924,310
8,891,581	882,853	21,019,930	19,949,488	2,067,314	2,043,220
<u>16,624,717</u>	<u>2,754,127</u>	<u>150,667,019</u>	<u>158,738,939</u>	<u>14,486,860</u>	<u>12,967,530</u>
<u>(1,473,739)</u>	<u>1,485,522</u>	<u>17,766,687</u>	<u>18,649,774</u>	<u>2,065,040</u>	<u>3,656,700</u>
				103,745	262,233
9,219	23,655	33,451	124,105	5,922	15,452
682,167		2,142,150	4,435,397	1,046,209	1,180,768
(84,846)	18,500	(243,846)	303,115	(508,900)	761,800
(5,657,093)	25,391	(9,704,773)	(10,605,048)	(18,580)	
			(53,483)	30,671	41,516
428,309	100	(360,518)	(165,932)	(86)	1,268
<u>(4,622,244)</u>	<u>67,646</u>	<u>(8,133,536)</u>	<u>(5,961,846)</u>	<u>658,981</u>	<u>2,263,037</u>
(6,095,983)	1,553,168	9,633,151	12,687,928	2,724,021	5,919,737
1,357,220	1,387,141	5,339,368	13,356,090	89,124	37,645
2,658,171	243,685	2,901,856	202,208	9,995	63,290
<u>(3,464,786)</u>	<u>(379,144)</u>	<u>(12,888,137)</u>	<u>(15,244,032)</u>	<u>(70,118)</u>	<u>(88,329)</u>
(5,545,378)	2,804,850	4,986,238	11,002,194	2,753,022	5,932,343
<u>105,823,192</u>	<u>44,578,628</u>			<u>39,811,590</u>	<u>33,879,247</u>
<u>\$ 100,277,814</u>	<u>\$ 47,383,478</u>			<u>\$ 42,564,612</u>	<u>\$ 39,811,590</u>
		631,673	1,107,291		
		<u>\$ 5,617,911</u>	<u>\$ 12,109,485</u>		

**CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 4,600,014	\$ 132,577,312	\$ 7,809,561
Cash received from other City funds	44,973	5,014,923	182,187
Cash received from employees			
Cash paid to employees	(337,215)	(18,437,621)	(1,812,210)
Cash paid to suppliers	(2,511,100)	(88,146,453)	(3,409,069)
Other income	102		
Net Cash Provided By Operating Activities	<u>1,796,774</u>	<u>31,008,161</u>	<u>2,770,469</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues	577		
Transfers in			
Transfers out	(442,218)	(8,258,410)	(360,702)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(441,641)</u>	<u>(8,258,410)</u>	<u>(360,702)</u>
Cash Flows From Capital and Related Financing Activities:			
Capital contributions			
Proceeds from the sale of property			
Proceeds from issuance of revenue notes and bonds		6,790,000	
Principal payments on bonds		(2,707,352)	(390,000)
Interest and fiscal charges		(4,127,696)	(36,392)
Acquisition of capital assets	(451,485)	(17,374,597)	(1,601,589)
Net Cash Used In Capital and Related Financing Activities	<u>(451,485)</u>	<u>(17,419,645)</u>	<u>(2,027,981)</u>
Cash Flows From Investing Activities:			
Investment income	369,237	970,635	155,148
Payments to service territory escrow			
Funds release from service territory escrow			
Net (increase) decrease in investments	(1,358,187)	(29,862,005)	(4,618,409)
Net Cash Provided By (Used In) Invested Activities	<u>(988,950)</u>	<u>(28,891,370)</u>	<u>(4,463,261)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(85,302)	(23,561,264)	(4,081,475)
Cash and Cash Equivalents, Beginning of Year	4,579,755	40,265,405	5,332,076
Cash and Cash Equivalents, End of Year	<u>\$ 4,494,453</u>	<u>\$ 16,704,141</u>	<u>\$ 1,250,601</u>
Classified As:			
Cash and Cash Equivalents	\$ 52,640	\$ 8,086,215	\$ 1,250,601
Restricted and Reserved Cash	4,441,813	8,617,926	
Total Cash and Cash Equivalents, End of Year	<u>\$ 4,494,453</u>	<u>\$ 16,704,141</u>	<u>\$ 1,250,601</u>

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2009	2008
		2009	2008		
\$ 15,665,972	\$ 3,487,944	\$ 164,140,803	\$ 174,160,051	\$ 14,382,453	\$ 14,417,362
63,423	196,165	5,501,671	5,423,475	2,170,911	2,232,712
(2,962,363)	(390,242)	(23,939,651)	(23,278,194)		
(5,111,435)	(1,439,797)	(100,617,854)	(121,512,341)	(11,701,762)	(11,478,769)
428,309	100	428,511	151,324		1,268
<u>8,083,906</u>	<u>1,854,170</u>	<u>45,513,480</u>	<u>34,944,315</u>	<u>4,851,602</u>	<u>5,172,573</u>
				104,002	259,110
9,219	23,655	33,451	124,105	5,922	15,452
2,658,171	243,685	2,901,856	115,248	9,995	63,290
<u>(3,464,786)</u>	<u>(379,144)</u>	<u>(12,905,260)</u>	<u>(15,206,128)</u>	<u>(70,118)</u>	<u>(88,329)</u>
<u>(797,396)</u>	<u>(111,804)</u>	<u>(9,969,953)</u>	<u>(14,966,775)</u>	<u>49,801</u>	<u>249,523</u>
			2,708		
2,825,000		9,615,000		32,237	42,882
(5,915,000)		(9,012,352)	(4,563,099)	815,000	
(5,927,788)	25,391	(10,066,485)	(10,309,399)	464	
<u>(1,919,503)</u>	<u>(1,003,242)</u>	<u>(22,350,416)</u>	<u>(40,365,482)</u>	<u>(2,778,071)</u>	<u>(1,933,104)</u>
<u>(10,937,291)</u>	<u>(977,851)</u>	<u>(31,814,253)</u>	<u>(55,235,272)</u>	<u>(1,930,370)</u>	<u>(1,890,222)</u>
662,894	(5,600)	2,152,314	4,576,279	1,079,309	1,188,768
			(1,204,082)		
			2,188,886		
<u>(10,389,946)</u>	<u>(900,000)</u>	<u>(47,128,547)</u>	<u>14,726,215</u>	<u>(3,910,000)</u>	<u>(5,530,000)</u>
<u>(9,727,052)</u>	<u>(905,600)</u>	<u>(44,976,233)</u>	<u>20,287,298</u>	<u>(2,830,691)</u>	<u>(4,341,232)</u>
(13,377,833)	(141,085)	(41,246,959)	(14,970,434)	140,342	(809,358)
20,414,486	182,677	70,774,399	85,744,833	375,975	1,185,333
<u>\$ 7,036,653</u>	<u>\$ 41,592</u>	<u>\$ 29,527,440</u>	<u>\$ 70,774,399</u>	<u>\$ 516,317</u>	<u>\$ 375,975</u>
\$ 124,290	\$ 41,592	\$ 9,555,338	\$ 32,654,218	\$ 516,317	\$ 375,975
6,912,363		19,972,102	38,120,181		
<u>\$ 7,036,653</u>	<u>\$ 41,592</u>	<u>\$ 29,527,440</u>	<u>\$ 70,774,399</u>	<u>\$ 516,317</u>	<u>\$ 375,975</u>

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

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

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)	\$ 958,105	\$ 15,793,320	\$ 1,003,479
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	914,455	8,220,987	2,110,054
Other income (expense)	102	(7,805)	
Other		(187,164)	(67,688)
(Increase) Decrease In:			
Accounts receivable	(60,423)	(33,276)	(57,529)
Accrued utility revenues		(513,634)	24
Inventory		4,180,291	521
Due from other funds			
Due from other governmental units	(235)		
Prepaid items		30,287	13,017
Other assets		474	
Increase (Decrease) In:			
Accounts and contracts payable, operations	(28,703)	2,177,880	(203,238)
Deposits payable	4,382	104,950	1,192
Accrued expenses and other liabilities	11,744	375,611	16,312
Unearned revenues		366,580	(55,070)
Accrued claims		49,000	
Due to other funds	12		
Due to other governmental units	(2,665)	450,660	9,395
Net Cash Provided By Operating Activities	<u>\$ 1,796,774</u>	<u>\$ 31,008,161</u>	<u>\$ 2,770,469</u>
Non Cash Transactions:			
Increase (Decrease) in fair value of investments	\$ (177,500)	\$	\$
Receipt of contributed property			2,595,007
Service territory acquisition cost paid from escrow			
Equipment purchases in accounts payable at year end		605,407	302,521

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2009	2008
		2009	2008		
\$ (1,473,739)	\$ 1,485,522	\$ 17,766,687	\$ 18,649,774	\$ 2,065,040	\$ 3,656,700
8,891,581	882,853	21,019,930	19,949,488	2,067,314	2,043,220
428,309	100	420,706	134,110		1,268
		(254,852)	(129,024)		
109,761	29,241	(12,226)	1,346,737		28,222
		(513,610)	716,579		
(6,228)		4,174,584	(3,133,156)		
428,550	(39,501)	389,049	(869,997)		
18,680	(530)	17,915	460,303	1,464	(2,378)
20,000		63,304	(131,364)		
(27,837)	11,942	(15,421)	(389,817)		
(328,369)	19,213	1,636,783	(2,665,493)	17,141	(143,860)
5,000		115,524	(84,306)	(22,574)	(39,505)
1,758	9,334	414,759	221,380	519,907	326,353
27,837	(11,942)	327,405	318,882		
		49,000	93,000	203,084	(700,841)
(11,411)	(532,808)	(544,207)	17,904		
14	746	458,150	439,315	226	3,394
<u>\$ 8,083,906</u>	<u>\$ 1,854,170</u>	<u>\$ 45,513,480</u>	<u>\$ 34,944,315</u>	<u>\$ 4,851,602</u>	<u>\$ 5,172,573</u>
\$ (84,846)	\$ 18,500	\$ (243,846)	\$ 303,115	\$ (508,900)	\$ 761,800
1,357,220	1,387,141	5,339,368	13,356,090	89,124	37,645
		907,928	(1,147,781)		
			5,242,213		

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the City of Rochester, Minnesota have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

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

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

In determining the financial reporting entity, the City complies with the provisions of the Governmental Accounting Standards Board Statement No. 14, "The Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. As of December 31, 2009, the City had one blended component unit, the Economic Development Authority (EDA) Fund which was created to account for development allowable only under specific State statutes. The board of directors of the EDA is comprised of City Council members and the EDA directly provides all of its services to the City. The activities of the EDA are reported as a nonmajor special revenue fund in the Governmental Fund Financial Statements. The accumulation of resources to service outstanding bonds issued by the EDA is reported as a nonmajor debt service fund in the Governmental Fund Financial Statements.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. As of December 31, 2009, there were no entities that met the requirements to be considered a discretely presented component unit of the City.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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 streets and infrastructure other than that financed by proprietary funds.

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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.

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

1. Deposits and investments (continued)

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.

2. Land Held for Resale

Land acquired by the City with the intent to be resold is reported as an asset in the governmental funds and offset by a fund balance reserve account.

3. 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

3. Receivables and payables (continued)

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.

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 5.75% to 7.5%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are carried net of an allowance for uncollectible assessments estimated at 3.0% of the outstanding balance. The net amount of delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

4. 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).

5. Restricted assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts, in the governmental funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

6. 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

7. Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. MVC revenue is recognized as intergovernmental revenue by the City when received.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

8. Utility connection charges

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

9. Compensated absences benefits

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

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

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

10. Long-term obligations

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1: Summary of Significant Accounting Policies (continued)

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

11. 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.

12. 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, 2008 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 and the Economic Development Fund, which adopt project length budgets.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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, 2009

NOTE 3: Detailed Notes on All Funds

A. Deposits and Investments

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

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

Deposits

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

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

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

The City's deposits in banks at December 31, 2009 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, 2009

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. Under the City's investment policy the City is required to mitigate its exposure to interest rate risk as follows:

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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 or Rochester's cash and investment portfolio including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2009 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	\$ 6,994,590	0.05 - 0.39	A-1+	P1
Guaranteed Investment Contracts	8,617,926	**	Unrated	Unrated
Short-Term Government Trust	4,912,544	0	AAA	Aaa
Municipal Bond	2,001,806	*	Unrated	Unrated
US Government and Agency Securities:				
Federal Farm Credit Bank	58,215,923	0.49 - 3.25	AAA	Aaa
Federal Home Loan Bank	70,629,374	0.01 - 4.62	AAA	Aaa
Federal Home Loan Mortgage Corporation	37,991,272	0.02 - 1.30	AAA	Aaa
Federal National Mortgage Association	<u>28,934,563</u>	0.19 - 4.64	AAA	Aaa
Sub-total Investments	218,297,997			
Cash and Deposits	<u>20,626,534</u>			
Total	<u>\$ 238,924,531</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. The investment policy of the City limits their investment options to those authorized by Minnesota Statute as described on the previous page.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 58,215,923
Federal Home Loan Bank	Federal Agency Securities	70,629,374
Federal Home Loan Mortgage Corporation	Federal Agency Securities	37,991,272
Federal National Mortgage Association	Federal Agency Securities	28,934,563

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, 2009 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	\$ 21,474,430
Investments	197,445,408
Restricted and reserved cash and investments	<u>20,004,693</u>
Total	<u>\$ 238,924,531</u>

B. Land Held for Resale

On September 1, 2009 the City acquired land from a private party for \$650,000. The City intends to resell the property in connection with the expansion of the University of Minnesota Rochester Campus. Land held for resale is reported in the Construction Improvement Fund and offset by a restriction of fund balance in Governmental Activities in the Statement of Net Assets. The City's estimate of net realizable value is in excess of the amount recorded at December 31, 2009.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

C. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2009 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 9,000	\$ 548,014	\$ 496,835	\$ 67,148	\$1,120,997
Special Revenue	156,895	116,496	93,687	49,988	417,066
Capital Project	2,008,135	3,175,322	113,996		5,297,453
Enterprise		845	15,192		16,037
Internal Service			914		914
Totals	\$2,174,030	\$3,840,677	\$ 720,624	\$ 117,136	\$6,852,467

Amounts due to other governmental units as of December 31, 2009 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 25,670	\$ 181,877	\$ 2,255	\$ 209,802
Special Revenue	3,029	52,970	111,715	33,382	201,096
Capital Project		27,174	681,721		708,895
Enterprise		463,688	49,760		513,448
Internal Service		13,504			13,504
Totals	\$ 3,029	\$ 583,006	\$ 1,025,073	\$ 35,637	\$1,646,745

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

D. Restricted and Reserved Cash

Restricted cash are deposits held for specifically required purposes and in the governmental funds are offset by fund balance reserve accounts. Reserved cash are deposits reserved by council action for a particular purpose. Descriptions are as follows:

Restricted Cash -

General Fund

Civic Music Endowment:

Rochester Area Foundation Endowment	\$ 32,591
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Enterprise Funds

Electric Fund:

Construction Account	3,651,298
Reserve Account	4,966,628

Sewer Fund:

Waste Water Construction Account	4,113,565
Waste Water Debt Service Account	2,798,798

Reserved Cash -

Enterprise Funds:

Parking Fund:

Bioscience Building Debt Service Reserve	4,441,813
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Total	\$ 20,004,693
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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 \$4,966,628 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, 2009

NOTE 3: Detailed Notes on All Funds (continued)

D. Restricted and Reserved Cash (continued)

The sewer utility issued \$30,455,000 of GO Waste Water Revenue Bonds in February 2007 for upgrade and maintenance of the waste water treatment plant, lift station, and trunk lines. Debt service is to be paid from sewer rate revenue by the sewer fund. Also, bond proceeds were deposited in a reserve account for payment of the first three years of interest on the bonds. The sewer utility issued \$19,500,000 of GO Variable Rate Demand Waste Water Revenue Bonds in April 2007 to fund trunk line sewer and new lift station capacity to be repaid through sewer availability charges to developers. These bonds have a single maturity in December 2026, with no required principal payments before that time.

Under the terms of these revenue bonds, unspent bond proceeds have been deposited in a Construction Account to pay for 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, 2009

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2009 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 57,158,575	\$ 879,428	\$ 179,208	\$ 57,858,795
Construction in progress	59,085,737	27,966,220	19,761,672	67,290,285
Total capital assets, not being depreciated	<u>116,244,312</u>	<u>28,845,648</u>	<u>19,940,880</u>	<u>125,149,080</u>
Capital assets, being depreciated:				
Buildings	132,249,229	6,514,122		138,763,351
Improvements other than buildings	36,479,880	5,154,359		41,634,239
Infrastructure	349,113,107	5,321,170	65,000	354,369,277
Machinery and equipment	60,698,288	4,537,647	1,110,463	64,125,472
Total capital assets, being depreciated	<u>578,540,504</u>	<u>21,527,298</u>	<u>1,175,463</u>	<u>598,892,339</u>
Less accumulated depreciation for:				
Buildings	52,401,985	3,643,012		56,044,997
Improvements other than buildings	11,838,174	1,416,535		13,254,709
Infrastructure	94,000,717	7,633,615	65,000	101,569,332
Machinery and equipment	36,593,827	5,011,791	1,033,298	40,572,320
Total accumulated depreciation	<u>194,834,703</u>	<u>17,704,953</u>	<u>1,098,298</u>	<u>211,441,358</u>
Total capital assets, being depreciated, net	<u>383,705,801</u>	<u>3,822,345</u>	<u>77,165</u>	<u>387,450,981</u>
Governmental activities capital assets, net	<u>\$ 499,950,113</u>	<u>\$ 32,667,993</u>	<u>\$ 20,018,045</u>	<u>\$ 512,600,061</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2009 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	\$ 12,409,143	\$ 370,768	\$	\$ 12,779,911
Construction in progress	67,716,097	11,454,133	45,796,185	33,374,045
Total capital assets, not being depreciated	<u>80,125,240</u>	<u>11,824,901</u>	<u>45,796,185</u>	<u>46,153,956</u>
Capital assets, being depreciated:				
Buildings and improvements	348,085,560	20,532,634	678,316	367,939,878
Machinery and equipment	351,197,098	37,053,557	2,842,845	385,407,810
Total capital assets, being depreciated	<u>699,282,658</u>	<u>57,586,191</u>	<u>3,521,161</u>	<u>753,347,688</u>
Less accumulated depreciation for:				
Buildings and improvements	110,758,494	9,237,637	679,914	119,316,217
Machinery and equipment	126,705,019	11,782,293	2,660,003	135,827,309
Total accumulated depreciation	<u>237,463,513</u>	<u>21,019,930</u>	<u>3,339,917</u>	<u>255,143,526</u>
Total capital assets, being depreciated, net	<u>461,819,145</u>	<u>36,566,261</u>	<u>181,244</u>	<u>498,204,162</u>
Business-type activities capital assets, net	<u>\$ 541,944,385</u>	<u>\$ 48,391,162</u>	<u>\$ 45,977,429</u>	<u>\$ 544,358,118</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

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	\$ 448,145
Public safety	2,968,340
Public works	5,302,890
Airport operations	2,180,684
Transit	672,953
Culture	1,128,738
Park and recreation	2,932,757
Economic development/tourism	3,132
Subtotal	15,637,639
Internal Service Funds:	
Equipment revolving	1,899,178
Information technology	168,136

Total depreciation expense - governmental activities	\$17,704,953
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Business-Type Activities:

Parking	\$ 914,455
Electric utility	8,220,987
Water utility	2,110,054
Sewer utility	8,891,581
Storm water utility	882,853

Total depreciation expense - business-type activities	\$21,019,930
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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, 2009, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 885,372	\$ 549,750
Construction improvement	143,421	45,640
Subtotal	1,028,793	595,390
Non-Major Governmental Funds:		
Special Revenue -		
Library		61,901
Municipal recreation system		107,424
Law enforcement block grant		21,308
Airport operations	15,680	24,772
Community development projects		47,617
Subtotal	15,680	263,022
Total Governmental Funds	1,044,473	858,412
Proprietary Funds:		
Enterprise -		
Parking		249
Electric utility		1,519,369
Water utility		147,444
Sewer utility	1,322,151	161,183
Storm water utility	348,794	28,761
Total Proprietary Funds	1,670,945	1,857,006
Total All Funds	\$ 2,715,418	\$ 2,715,418

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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, 2009, at the individual fund level are summarized below:

Funds	Advances to Other Funds	Advances from Other
Major Governmental Funds:		
Capital Project -		
Construction improvement	\$ 473,574	\$
Non-Major Governmental Funds:		
Special Revenue -		
Municipal recreation system		473,574
Total Governmental Funds	<u>\$ 473,574</u>	<u>\$ 473,574</u>

Transfers during the year ended December 31, 2009 were as follows:

Funds	Transfers In	Transfers Out
General	<u>\$ 10,830,872</u>	<u>\$ 181,283</u>
Capital Project	<u>2,868,940</u>	<u>3,535,160</u>
Other Governmental Funds		
Library		22,551
Municipal Recreation System		309,266
Airport Operations		199,274
Transit		7,600
Economic Development Administration		293,196
Economic Development Authority	37,224	
Community Development Projects Fund		46,596
Airport Hangar Construction Notes	66,396	
Facility Energy Improvements Loan	570,883	47,144
Economic Development Authority Bond	347,863	33,704
Subtotal Other Governmental Funds	<u>1,022,366</u>	<u>959,331</u>
Subtotal Governmental Funds	<u>14,722,178</u>	<u>4,675,774</u>
Enterprise	2,901,856	12,888,137
Internal Service	9,995	70,118
Totals	<u>\$ 17,634,029</u>	<u>\$ 17,634,029</u>

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

Other significant transfers include Construction Improvement Capital Project Fund transfers of \$2,901,856 to the Water, Sanitary Sewer and Storm Water Utility Enterprise Funds for capital construction.

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

Governmental Funds:	
Transfer in	\$ 14,722,178
Transfers out	(4,675,774)
Internal Service Funds:	
Transfer in	9,995
Transfers out	(70,118)
Capital assets transferred from Govt- Activities to Business-type activities	(4,250,971)
Government-wide Statement of Activities - Transfers in/out	\$ 5,735,310

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, 2009 totaled \$256,075.

Following is a schedule, by years, of estimated future minimum rental payments, for the Building Safety department's rental at Olmsted County's campus and record storage space lease for various City departments, 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:	
2010	\$ 46,419
2011	46,986
2012	47,561
2013	48,145
2014	48,737

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2009, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/09
General Obligation Bonds:				
Taxable Tax Increment Bonds				
District 7, Series 1997	\$ 2,669,380	5.5%	2024	\$ 2,001,806
District 36, Series 2009A	8,035,000	2.6-6.0%	2033	8,035,000
General Obligation Revenue Bonds:				
Wastewater Treatment Plant				
Revenue Bonds, Series 2004A	83,735,000	3.0-5.0%	2026	80,550,000
Wastewater Treatment Plant				
Revenue Bonds, Series 2007A	30,455,000	4.0-5.0%	2026	30,455,000
Wastewater Treatment Plant				
Variable Rate Revenue Bonds, Series 2007B	19,500,000	Variable	2026	18,300,000
Wastewater Treatment Plant				
Refunding Bonds, Series 2009C	2,825,000	2.00%	2011	1,895,000
General Obligation Equipment Certificates of Indebtedness, Series 2009B				
	815,000	2.5-3.5%	2019	815,000
Revenue Bonds:				
Electric Utility Revenue Bonds, Series 2000				
	37,290,000	4.75%	2010	865,000
Electric Utility Revenue Bonds, Series 2002				
	11,275,000	3.0-4.5%	2017	6,910,000
Electric Utility Revenue Bonds, Series 2007C				
	76,680,000	4.0-5.0%	2030	75,750,000
Rochester Economic Development Authority Lease Bonds, Series 2007				
	9,900,000	4.70%	2033	9,900,000
Rochester Economic Development Authority Lease Bonds, Series 2008				
	6,700,000	4.71%	2033	6,700,000
Revenue Notes:				
Electric Utility				
Note, Series 2005	5,765,000	3.98%	2014	3,615,000
Note, Series 2009A	6,790,000	Variable	2014	6,590,000
Water Utility				
Note, Series 2006	1,525,000	3.80%	2010	410,000
Notes Payable:				
GO Sales Tax Revenue Note of 2001				
	2,500,000	2.83%	2021	1,729,000
GO Sales Tax Revenue Note of 2008				
	2,500,000	3.42%	2028	2,414,000
Airport Hangar - 2001				
	215,301	0%	2012	57,414
Airport Hangar - 2006				
	263,944	0%	2016	180,362
Energy Loan Payable				
	5,715,795	4.10%	2018	4,445,205
Capital Leases				
	886,219	1.995-4.46%	2010	228,252
Compensated Absences				
				12,911,561
Post Employment Benefit Obligation				
				1,151,773
Less: Unamortized premium and issuance costs				
				6,522,761
Deferred Refunding Balance				
				(1,788,870)
Total Long-term Debt				
				<u>\$ 280,643,264</u>

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

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

General Obligation Revenue 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. In 2009, the City issued \$2,825,000 of General Obligation Revenue Refunding Bonds, Series 2009C. The proceeds of the issue were used to refund the remaining balance of \$2,820,000 of General Obligation Revenue Refunding Bond, Series 2001A on May 15, 2009.

Revenue Bonds and Notes – Electric Utility

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. In 2009, the Electric Utility issued Note 2009A in the amount of \$6,790,000. These variable rate notes are payable from revenues derived from the operation of the Electric Utility Enterprise Fund.

Revenue Lease Bonds – Economic Development Authority

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

Revenue Note – Water Utility

Revenue note issued in 2006 by the Water Utility is payable from revenue derived from the operations of the Water Utility Enterprise Fund.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Sales Tax Revenue Notes

In 2001 and 2008, the City authorized the issuance of \$2,500,000 General Obligation Sales Tax Revenue Notes, respectively, to finance the construction of transportation infrastructure improvements. The funds were advanced under these notes in 2002 and 2008. Both notes 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 Equipment Certificates of Indebtedness

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

Notes Payable

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

Energy Loan Payable

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

Capital Leases

The Electric Utility entered into a capital lease for a digital mailing system requiring quarterly payments of \$2,431, including interest at 4.46%. The lease ends in June 2010. The lease payments are payable from revenues derived from the operation of the Electric Utility Enterprise Fund.

The Electric Utility entered into capital lease for servers and related equipment requiring monthly payments of \$19,227, including interest at 1.995%. The lease ends in December 2010. The lease payments are payable from revenues derived from the operation of the Electric Utility Enterprise Fund.

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
Taxable Tax Increment Bonds, District 7, Series 1997	\$ 2,286,921	\$	\$ 285,115	\$ 2,001,806	\$
Taxable Tax Increment Bonds, District 36, Series 2009A		8,035,000		8,035,000	
GO Sales Tax Revenue Note of 2001	1,849,000		120,000	1,729,000	123,000
GO Sales Tax Revenue Note of 2008	2,500,000		86,000	2,414,000	92,000
GO Equipment Certificates of Indebtedness, Series 2009B		815,000		815,000	75,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	9,900,000			9,900,000	230,000
REDA Lease Revenue Bonds, Series 2008	6,700,000			6,700,000	155,000
Note Payable:					
Airport Hangar 1999	18,472		18,472		
Airport Hangar 2001	78,944		21,530	57,414	21,530
Airport Hangar 2006	206,756		26,394	180,362	26,394
Municipal Loan Payable:					
Energy Loan	4,846,199		400,994	4,445,205	417,603
Less: Unamortized Issuance Costs	(71,816)	(76,680)	(5,769)	(142,727)	
Other Liabilities:					
Compensated Absences	8,700,214	5,643,424	5,209,145	9,134,493	5,470,000
Post Employment Benefit Obligation	632,995	745,935	227,157	1,151,773	
Governmental Activities					
Long-term Liabilities	<u>37,647,685</u>	<u>15,162,679</u>	<u>6,389,038</u>	<u>46,421,326</u>	<u>6,610,527</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant - Revenue Refunding Bonds, Series 2001A	2,820,000		2,820,000		
Revenue Refunding Bonds, Series 2009C		2,825,000	930,000	1,895,000	935,000
Revenue Bonds, Series 2004A	81,515,000		965,000	80,550,000	985,000
Revenue Bonds, Series 2007A	30,455,000			30,455,000	670,000
Variable Rate Demand Revenue Bonds, Series 2007B	19,500,000		1,200,000	18,300,000	
Revenue Bonds:					
Electric Utility Revenue Bonds - Series 2000	1,695,000		830,000	865,000	865,000
Series 2002	7,620,000		710,000	6,910,000	740,000
Series 2007	75,970,000		220,000	75,750,000	235,000
Revenue Note:					
Electric Utility Note of 2005	4,140,000		525,000	3,615,000	580,000
Water Utility Note of 2006	800,000		390,000	410,000	410,000
Electric Utility Note of 2009A		6,790,000	200,000	6,590,000	1,210,000
Less: Unamortized (Discount) Premium	7,090,067	(3,608)	420,971	6,665,488	
Deferred Refunding Balance	(1,926,113)		(137,243)	(1,788,870)	
Other Liabilities:					
Obligation Under Capital Lease	450,604		222,352	228,252	228,252
Compensated Absences	3,434,912	2,240,881	1,898,725	3,777,068	1,944,866
Business-type Activities					
Long-term Liabilities	<u>233,564,470</u>	<u>11,852,273</u>	<u>11,194,805</u>	<u>234,221,938</u>	<u>8,803,118</u>
Total	<u>\$ 271,212,155</u>	<u>\$ 27,014,952</u>	<u>\$ 17,583,843</u>	<u>\$ 280,643,264</u>	<u>\$ 15,413,645</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

In 2007, the Electric Utility issued \$76.7 million in Revenue Bonds, Series 2007C, to finance the emission reduction project at Silver Lake Plant, transmission and substation work, and distribution system expansion, and to advance refund the majority of the outstanding Series 2000A bonds. With respect to the refunded portion, net proceeds of \$31.7 million (after payment of underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Series 2000A Bonds. As a result, 2011-2030 maturities of the Series 2000A Bonds are considered defeased and the liability for those bonds has been removed from the financial statements

The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,172,659. This difference, reported in the financial statements as a reduction from revenue bonds payable, is being amortized and charged to operations over the bond term using the interest method. The City completed the advance refunding to reduce its total debt service payments over the next 23 years by \$3.1 million and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$2.0 million. At December 31, 2009 \$30,165,000 of revenue bonds outstanding are considered defeased.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post Employment Benefits

The City provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2009 there were approximately 62 retirees participating in the City's group health plan.

The City pays for health insurance coverage for disabled police and fire fighters and their dependents (if the dependents were covered at the time of the disability) until the disabled employee reaches age 65, as required by state statute. As of January 1, 2009 there were 7 disabled police and fire fighters receiving the benefit.

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 739,875
Interest on net OPEB obligations	28,485
Adjustment to ARC	<u>(22,425)</u>
Annual OPEB Cost	745,935
Contributions during the year	<u>(227,157)</u>
Increase in net OPEB obligation	518,778
Net OPEB beginning of year	<u>632,995</u>
Net OPEB end of year	<u><u>\$ 1,151,773</u></u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post Employment Benefits (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Net OPEB Beginning of year	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 500,501	\$ 307,282	\$ 174,788	34.92%	\$ 632,995
December 31, 2009	745,935	632,995	227,157	30.45%	1,151,773

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2008		\$ 5,102,627	\$ 5,102,627	0.00%	\$ 51,356,586	9.94%
1/1/2009		6,804,261	6,804,261	0.00%	56,269,264	12.09%

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

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

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post Employment Benefits (continued)

In the January 1, 2007 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the estimated long-term investment yield on the general assets of the City using underlying long-term inflation assumption of 3% and a 6% annual increase in covered payroll. The annual healthcare cost trend rate is 10.0% initially, reduced incrementally to an ultimate rate of 5% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period beginning in 2007.

J. 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, 2009 in the following funds:

General Fund

Designated:	
Subsequent years' appropriations	\$ 130,199
General contingency for future compensated absences	<u>7,395,007</u>
Totals	<u><u>\$ 7,525,206</u></u>

Special Revenue Funds

	<u>Library</u>	<u>Municipal Recreation</u>	<u>Totals</u>
Designated:			
Subsequent years' appropriations	\$ 373,244	\$ 55,607	\$ 428,851
General contingency for future compensated absences	<u>661,664</u>	<u>1,077,822</u>	<u>1,739,486</u>
Totals	<u><u>\$ 1,034,908</u></u>	<u><u>\$ 1,133,429</u></u>	<u><u>\$ 2,168,337</u></u>

K. Individual Fund Disclosures

There were no funds reporting a deficit as of December 31, 2009.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009**

NOTE 3: Detailed Notes on All Funds (continued)

L. Restricted Net Assets

	Restricted Net Assets Imposed By		
	Grantors	Contributors	Legally Enforceable
<u>Major Governmental Funds:</u>			
General Fund:			
Civic Music Endowment	\$	\$ 32,591	\$
Construction Improvement Fund:			
Flood Control	23,854,897		
Sales Tax Authorized Projects			11,224,885
<u>Nonmajor Governmental Funds:</u>			
Special Revenue Funds:			
CDBG Loans	3,471,639		
Airport Operations			5,961,014
Total Governmental Activities	27,326,536	32,591	17,185,899
Total Restricted Net Assets	\$ 27,326,536	\$ 32,591	\$ 17,185,899

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, 2009**

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 \$250,000 per group health claim (with a variable annual aggregate) and \$860,000 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 \$1,851,883 reported in the Fund at December 31, 2009 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, 2009 and 2008 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2009	\$ 1,648,799	\$ 14,131,379	\$(13,928,295)	\$1,851,883
2008	2,349,640	8,927,374	(9,628,215)	1,648,799

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

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, 2009, the City's commitments with contractors and vendors were as follows:

<u>Construction Projects</u>	<u>Remaining Commitment</u>
Major Street Projects	\$ 5,639,546
Sewer and Water Projects	2,746,014
Sidewalk Projects	24,312
Bridge Projects	4,766,584
Storm Water / Storm Sewer Projects	2,312,386
Flood Control	11,196
Water Reclamation Projects	337,000
Parking Ramp Rehabilitation	31,149
Airport Projects	646,466
Civic Center Expansion & Improvements	1,551,186
Parks Projects - Various	31,041
Public Works/Transit Operation Center	24,820
Total Construction Projects	<u>\$ 18,121,700</u>
<u>Equipment Purchase Commitments</u>	
City Wide Network	<u>\$ 18,259</u>
Total Equipment Purchase Commitments	<u>\$ 18,259</u>
<u>Component Unit Commitments</u>	
Rochester EDA - Biobusiness Center	<u>\$ 2,937</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: Other Information (continued)

C. Contingent Liabilities

General Litigation:

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

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Neighborhood Stabilization Program, Federal Transit, and Airport Improvement programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2009, 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 over collected costs through rates charged to RPU (and others) under the Power Sales Contract since 2003. In 2006, RPU amended and supplemented its claims. With respect to the CROD-related count, RPU amended the requested judgment to state that SMMPA cannot charge RPU for the capital costs of generating facilities exceeding the 216 MW CROD. With respect to the breach of contract issues regarding rates, RPU amended and supplemented the count to argue that SMMPA has not followed correct ratemaking procedures and may have under collected important costs in past years.

SMMPA 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. Early in 2007, SMMPA added a counterclaim requesting a judgment declaring, among other things, that the SMMPA Board has virtually unlimited discretion in setting rates under the Power Sales Contract with RPU

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: Other Information (continued)

C. Contingent Liabilities (continued)

SMMPA Litigation (continued):

A bench trial covering the City of Rochester claim and SMMPA's counter claim was held in January 2009. Before and during the trial, the Court granted Rochester's motions to dismiss its breach of contract claims concerning rates. On May 8, 2009, the Court issued a decision that denied the requested declaratory judgment, granted portions of SMMPA's counterclaims concerning its rate setting authority but denied the remainder. The decision rejected SMMPA's counterclaim concerning the Settlement Agreement. Rochester filed a post trial motion to amend the declaratory judgment decision to incorporate specific findings from the decision; SMMPA filed other post trial motions. On March 17, 2010, the court issued an order accepting certain clerical corrections to the decision, denying Rochester's other motions, granting SMMPA's motion for payment of \$252,317 for expert witness fees and denying SMMPA's motion for sanctions. No decisions on possible appeals have been announced. RPU has recorded the order for payment of expert witness fees as a liability.

40th Street South Interchange Litigation:

In February 2010, the City settled a lawsuit related to special assessments levied against the owners of property adjacent to certain road improvements. The principal terms of the settlement agreement called for the payment of \$3,660,000 to the land owners and the land owners agreeing to pay the entire \$1.7 million assessment and waiving the right to receive any ordered court costs. Settlement costs of \$600,000 are reimbursable under the City's general liability insurance.

The settlement of \$3,660,000 and related insurance reimbursement of \$600,000 have been recorded in the Construction Improvement Fund as of December 31, 2009.

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: Other Information (continued)

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 Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

A. Plan Description (continued)

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 is 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.

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 were required to contribute 9.10% and 6.0% respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City of Rochester is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$2,674,154, \$2,520,353, and \$2,289,194, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2009, 2008, and 2007 were \$2,433,498, \$2,232,035, and \$1,813,848, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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CITY OF ROCHESTER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2007	\$	\$ 4,715,723	\$ 4,715,723	0.00%	\$48,449,610	9.73%
1/1/2008		5,102,627	5,102,627	0.00%	51,356,586	9.94%
1/1/2009		6,804,261	6,804,261	0.00%	56,269,264	12.09%

See Note 31, Post-Employment Benefits, for more information.

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2009

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2009

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.

Edward Byrne Memorial JAG Fund:

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

Airport Operations Fund:

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

The F.E. Williams Estate Fund:

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

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

Economic Development Administration Fund: This fund was established to account for collection of lease payments of the Bio Business Center building.

Economic Development Authority Fund: This fund was established to account for development allowable only under specific state statute.

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.

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2009

DEBT SERVICE FUNDS (continued)

Transportation Sales Tax Note of 2008 Fund:

This fund is used to account for the accumulation of resources (sales tax revenue) for payment of the 2008 general obligation sales tax revenue note.

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.

Facility Energy Improvements Loan Fund:

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

Economic Development Authority Bond Fund:

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

CITY OF ROCHESTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2009

	Special Revenue							
	Library	Municipal Recreation System	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Economic Development Administration	
ASSETS								
Cash and cash equivalents	\$	\$ 229,042	\$	\$ 104,355	\$ 34,181	\$ 2,195	\$ 6,961	\$
Investments	2,041,000	3,367,600		4,082,000	612,300	306,200	377,600	
Accrued interest receivable	12,400	20,400		24,700	3,700	1,900	2,300	
Accounts receivable (net of allowance for uncollectibles)	14,206	244,539		879,993		44,272	129,689	
Loans receivable								
Taxes receivable delinquent	106,121	129,754		3,719		490		
Special assessments receivable delinquent		5,041						
Due from other funds				15,680				
Due from other governmental units	40,523	107,313	22,345	96,025		42,364		
Prepaid items	7,544							
Inventory		28,544						
TOTAL ASSETS	\$ 2,221,794	\$ 4,132,233	\$ 22,345	\$ 5,206,472	\$ 650,181	\$ 397,421	\$ 516,550	\$
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 51,696	\$ 291,081	\$ 834	\$ 132,580	\$	\$ 84,723	\$	\$
Deposits payable	26,047	487,447					11,384	
Accrued compensation and payroll taxes	153,996	230,430				117		
Due to other funds	61,901	107,424	21,308	24,772				
Due to other governmental units	16,163	162,710	203	3,029		199	213	
Advances from other funds		473,574						
Deferred revenue	106,121	134,795		3,719		490		
Total Liabilities	415,924	1,887,461	22,345	164,100		85,529	11,597	
Fund Balance:								
Reserved for prepaid items	7,544							
Reserved for debt service								
Reserved for encumbrances	175,816	50,645				493		
Unreserved:								
Designated for future compensated absences	661,664	1,077,822						
Designated for subsequent years' appropriations	373,244	55,607						
Undesignated	587,602	1,060,698		5,042,372	650,181	311,399	504,953	
Total Fund Balance	1,805,870	2,244,772		5,042,372	650,181	311,892	504,953	
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,221,794	\$ 4,132,233	\$ 22,345	\$ 5,206,472	\$ 650,181	\$ 397,421	\$ 516,550	\$

Community Development Projects		Debt Service						Total	Total Nonmajor Governmental Funds
		Tax Increment Bonds	Airport Hangar Construction Notes	Transportation Sales Tax Note 2008	Transportation Sales Tax Note	Facility Energy Improvements Loan	Economic Development Authority Bond		
\$	\$ 376,734	\$ 380,021	\$	\$	\$	\$ 240,848	\$	\$ 620,869	\$ 997,603
	10,786,700								10,786,700
	65,400								65,400
	1,312,699								1,312,699
3,471,639	3,471,639								3,471,639
	240,084								240,084
	5,041								5,041
	15,680								15,680
108,496	417,066								417,066
	7,544								7,544
	28,544								28,544
<u>\$ 3,580,135</u>	<u>\$ 16,727,131</u>	<u>\$ 380,021</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 240,848</u>	<u>\$</u>	<u>\$ 620,869</u>	<u>\$ 17,348,000</u>
\$ 42,300	\$ 603,214	\$	\$	\$	\$	\$	\$	\$	\$ 603,214
	524,878								524,878
	384,543								384,543
47,617	263,022								263,022
18,579	201,096								201,096
	473,574								473,574
3,471,639	3,716,764								3,716,764
3,580,135	6,167,091								6,167,091
	7,544								7,544
	226,954	380,021				240,848		620,869	620,869
	1,739,486								1,739,486
	428,851								428,851
	8,157,205								8,157,205
	10,560,040	380,021				240,848		620,869	11,180,909
<u>\$ 3,580,135</u>	<u>\$ 16,727,131</u>	<u>\$ 380,021</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 240,848</u>	<u>\$</u>	<u>\$ 620,869</u>	<u>\$ 17,348,000</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Special Revenue							
	Library	Municipal Recreation System	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Economic Development Administration	
REVENUES								
General property taxes	\$ 4,511,375	\$ 5,629,860	\$	\$ 4,878	\$	\$ 27,345	\$	\$
Tax increments								
Sales tax								
Intergovernmental revenues	1,211,430	345,570	33,801	214,547		3,299,319		
Charges for services	180,734	6,810,596		2,678,608		659,012		
Interest earnings	32,686	61,093		157,696	18,962	4,239	6,382	
Net increase (decrease) in the fair value of investments	(18,700)	(39,800)		(77,000)	(11,600)	6,200	7,600	
Miscellaneous revenues	157,330	197,868		18,000		16,845	1,061,991	
Total Revenues	6,074,855	13,005,187	33,801	2,996,729	7,362	4,012,960	1,075,973	
EXPENDITURES								
Culture	5,720,878							
Park and recreation		12,022,891			1,650			
Public safety			33,801					
Airport operations				3,038,389				
Transit						3,791,674		
Economic development/tourism							277,824	3,520
Debt service								
Total Expenditures	5,720,878	12,022,891	33,801	3,038,389	1,650	3,791,674	277,824	3,520
Excess (deficiency) of revenues over (under) expenditures	353,977	982,296		(41,660)	5,712	221,286	798,149	(3,520)
OTHER FINANCING SOURCES (USES)								
Issuance of debt								
Transfers in								37,224
Transfers out	(22,551)	(309,266)		(199,274)		(7,600)	(293,196)	
Total Other Financing Sources (Uses)	(22,551)	(309,266)		(199,274)		(7,600)	(293,196)	37,224
Net change in fund balances	331,426	673,030		(240,934)	5,712	213,686	504,953	33,704
Fund Balances - beginning	1,474,444	1,571,742		5,283,306	644,469	98,206		(33,704)
Fund Balances - ending	\$ 1,805,870	\$ 2,244,772	\$	\$ 5,042,372	\$ 650,181	\$ 311,892	\$ 504,953	\$

Community Development Projects	Total	Debt Service						Total	Total Nonmajor Governmental Funds
		Tax Increment Bonds	Airport Hangar Construction Notes	Transportation Sales Tax Note 2008	Transportation Sales Tax Note	Facility Energy Improvements Loan	Economic Development Authority Bond		
\$	\$10,173,458	\$	\$	\$	\$	\$	\$	\$	\$10,173,458
		405,890						405,890	405,890
				145,525	172,327			317,852	317,852
479,721	5,584,388								5,584,388
	10,328,950								10,328,950
	281,058	21,701				6,877	356	28,934	309,992
	(133,300)								(133,300)
28,670	1,480,704					(216)		(216)	1,480,488
508,391	27,715,258	427,591		145,525	172,327	6,661	356	752,460	28,467,718
	5,720,878								5,720,878
	12,024,541								12,024,541
	33,801								33,801
	3,038,389								3,038,389
	3,791,674								3,791,674
461,795	743,139								743,139
		482,570	66,396	145,525	172,327	595,619	780,870	2,243,307	2,243,307
461,795	25,352,422	482,570	66,396	145,525	172,327	595,619	780,870	2,243,307	27,595,729
46,596	2,362,836	(54,979)	(66,396)			(588,958)	(780,514)	(1,490,847)	871,989
		435,000						435,000	435,000
	37,224		66,396			570,883	347,863	985,142	1,022,366
(46,596)	(878,483)					(47,144)	(33,704)	(80,848)	(959,331)
(46,596)	(841,259)	435,000	66,396			523,739	314,159	1,339,294	498,035
	1,521,577	380,021				(65,219)	(466,355)	(151,553)	1,370,024
	9,038,463					306,067	466,355	772,422	9,810,885
\$	\$10,560,040	\$380,021	\$	\$	\$	\$240,848	\$	\$620,869	\$11,180,909

CITY OF ROCHESTER, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 4,921,053	\$ 4,558,006	\$ 4,511,375	\$ (46,631)	\$ 4,529,620
Intergovernmental	955,097	1,224,447	1,211,430	(13,017)	1,151,511
Charges for services	143,850	143,850	180,734	36,884	164,212
Interest earnings	8,000	16,015	32,686	16,671	28,732
Net increase in the fair value of investments			(18,700)	(18,700)	32,100
Miscellaneous					
Contributions		145,508	145,568	60	194,525
Other	7,000	7,000	11,762	4,762	7,926
Total Revenues	<u>6,035,000</u>	<u>6,094,826</u>	<u>6,074,855</u>	<u>(19,971)</u>	<u>6,108,626</u>
EXPENDITURES					
Public Library	6,012,449	5,957,085	5,680,086	276,999	5,746,721
Library - SELCO		31,415		31,415	1,727
Gifts appropriations		382,621	40,792	341,829	183,634
Total Expenditures	<u>6,012,449</u>	<u>6,371,121</u>	<u>5,720,878</u>	<u>650,243</u>	<u>5,932,082</u>
Excess (deficiency) of revenues over (under) expenditures	22,551	(276,295)	353,977	630,272	176,544
OTHER FINANCING USES					
Transfers out	<u>(22,551)</u>	<u>(22,551)</u>	<u>(22,551)</u>		<u>(23,595)</u>
Net change in fund balance		<u>(298,846)</u>	<u>331,426</u>	<u>630,272</u>	<u>152,949</u>
Fund Balance - beginning	<u>1,474,444</u>	<u>1,474,444</u>	<u>1,474,444</u>		<u>1,321,495</u>
Fund Balance - ending	<u>\$ 1,474,444</u>	<u>\$ 1,175,598</u>	<u>\$ 1,805,870</u>	<u>\$ 630,272</u>	<u>\$ 1,474,444</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 6,052,229	\$ 5,685,527	\$5,629,860	\$ (55,667)	\$ 5,517,987
Intergovernmental	67,346	387,549	345,570	(41,979)	401,803
Charges for services	6,146,750	6,162,186	6,810,596	648,410	6,221,590
Interest earnings	46,700	46,700	61,093	14,393	66,210
Net increase in the fair value of investments			(39,800)	(39,800)	67,800
Miscellaneous					
Contributions	36,600	38,000	6,860	(31,140)	20,966
Other	93,700	96,108	191,008	94,900	45,846
Total Revenues	<u>12,443,325</u>	<u>12,416,070</u>	<u>13,005,187</u>	<u>589,117</u>	<u>12,342,202</u>
EXPENDITURES					
Administration	438,128	423,128	432,684	(9,556)	430,075
Recreation Department	657,860	658,260	625,311	32,949	642,436
Golf	1,594,777	1,591,413	1,467,068	124,345	1,506,452
Tennis Center	49,854	49,854	40,804	9,050	49,429
Volleyball Center	291,873	295,278	282,467	12,811	286,792
Swimming Pools	231,005	231,005	165,016	65,989	225,203
Graham Arenas	667,688	667,688	628,566	39,122	656,304
Park	3,691,040	3,693,626	3,520,734	172,892	3,575,978
Plummer House	56,589	57,589	53,481	4,108	53,769
Recreation Center	1,245,244	1,245,244	1,170,313	74,931	1,233,714
UCR Field House	114,410	114,410	140,923	(26,513)	144,808
Mayo Civic Center	2,891,384	2,896,398	3,495,524	(599,126)	2,915,372
Total Expenditures	<u>11,929,852</u>	<u>11,923,893</u>	<u>12,022,891</u>	<u>(98,998)</u>	<u>11,720,332</u>
Excess (deficiency) of revenues over (under) expenditures	<u>513,473</u>	<u>492,177</u>	<u>982,296</u>	<u>490,119</u>	<u>621,870</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					3,919
Transfers out	(513,473)	(528,909)	(309,266)	219,643	(288,132)
Total Other Financing Sources (Uses)	<u>(513,473)</u>	<u>(528,909)</u>	<u>(309,266)</u>	<u>219,643</u>	<u>(284,213)</u>
Net change in fund balance		(36,732)	673,030	709,762	337,657
Fund Balance - beginning	<u>1,571,742</u>	<u>1,571,742</u>	<u>1,571,742</u>		<u>1,234,085</u>
Fund Balance - ending	<u>\$ 1,571,742</u>	<u>\$ 1,535,010</u>	<u>\$2,244,772</u>	<u>\$ 709,762</u>	<u>\$ 1,571,742</u>

CITY OF ROCHESTER, MINNESOTA
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental	\$ 24,414	\$	\$33,801	\$ 33,801	\$ 24,414
Interest earnings					
Total Revenues	<u>24,414</u>	<u></u>	<u>33,801</u>	<u>33,801</u>	<u>24,414</u>
EXPENDITURES					
Law enforcement block grant	<u>24,414</u>	<u></u>	<u>33,801</u>	<u>(33,801)</u>	<u>24,414</u>
Total Expenditures	<u>24,414</u>	<u></u>	<u>33,801</u>	<u>(33,801)</u>	<u>24,414</u>
Excess (deficiency) of revenues over (under) expenditures					
Fund Balance - beginning	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Fund Balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$	\$	\$ 4,878	\$ 4,878	\$ 483,812
Intergovernmental	198,752	198,752	214,547	15,795	228,109
Charges for services	2,935,276	2,935,276	2,678,608	(256,668)	2,934,276
Interest earnings	112,826	80,000	157,696	77,696	198,156
Net increase (decrease) in the fair value of investments			(77,000)	(77,000)	97,600
Miscellaneous	18,000	18,000	18,000		18,000
Total Revenues	<u>3,264,854</u>	<u>3,232,028</u>	<u>2,996,729</u>	<u>(235,299)</u>	<u>3,959,953</u>
EXPENDITURES					
Airport operations	2,995,025	2,995,025	2,877,212	117,813	3,065,257
US customs operations	161,500	161,500	161,177	323	127,197
Total Expenditures	<u>3,156,525</u>	<u>3,156,525</u>	<u>3,038,389</u>	<u>118,136</u>	<u>3,192,454</u>
Excess (deficiency) of revenues over (under) expenditures	108,329	75,503	(41,660)	(117,163)	767,499
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(155,426)</u>	<u>(155,426)</u>	<u>(199,274)</u>	<u>(43,848)</u>	<u>(86,442)</u>
Net change in fund balance	(47,097)	(79,923)	(240,934)	(161,011)	681,057
Fund Balance - beginning	<u>5,283,306</u>	<u>5,283,306</u>	<u>5,283,306</u>		<u>4,602,249</u>
Fund Balance - ending	<u>\$5,236,209</u>	<u>\$5,203,383</u>	<u>\$5,042,372</u>	<u>\$ (161,011)</u>	<u>\$5,283,306</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
Interest earnings	\$ 7,000	\$ 7,000	\$ 18,962	\$ 11,962	\$ 14,283
Net increase in the fair value of investments			(11,600)	(11,600)	20,400
Miscellaneous					
Rental of real property					7,802
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>7,362</u>	<u>362</u>	<u>42,485</u>
EXPENDITURES					
Contractual services			1,650	(1,650)	2,348
Other Charges					1,188
Capital outlay					5,000
Total Expenditures			<u>1,650</u>	<u>(1,650)</u>	<u>8,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,000</u>	<u>7,000</u>	<u>5,712</u>	<u>(1,288)</u>	<u>33,949</u>
OTHER FINANCING SOURCES (USES)					
Sale of land					360,000
Transfers out					(5,000)
Total Other Financing Sources (Uses)					<u>355,000</u>
Net change in fund balance	7,000	7,000	5,712	(1,288)	388,949
Fund Balance - beginning	<u>644,469</u>	<u>644,469</u>	<u>644,469</u>		<u>255,520</u>
Fund Balance - ending	<u>\$ 651,469</u>	<u>\$ 651,469</u>	<u>\$ 650,181</u>	<u>\$ (1,288)</u>	<u>\$ 644,469</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, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget - Positive (Negative)	2008 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 29,360	\$ 27,796	\$ 27,345	\$ (451)	\$ 69
Intergovernmental revenues	3,168,257	3,169,821	3,299,319	129,498	3,122,283
Charges for services	842,709	842,709	659,012	(183,697)	663,088
Interest earnings			4,239	4,239	2,784
Net increase (decrease) in the fair value of investments			6,200	6,200	(11,400)
Miscellaneous		16,392	16,845	453	30,825
Total Revenues	<u>4,040,326</u>	<u>4,056,718</u>	<u>4,012,960</u>	<u>(43,758)</u>	<u>3,807,649</u>
EXPENDITURES					
Employee services	12,652	12,652	10,990	1,662	12,235
Contractual services	4,135,834	4,152,226	3,663,208	489,018	520,271
Materials and supplies	118,883	118,883	98,541	20,342	94,033
Other charges	12,957	12,957	18,935	(5,978)	3,154,686
Total Expenditures	<u>4,280,326</u>	<u>4,296,718</u>	<u>3,791,674</u>	<u>505,044</u>	<u>3,781,225</u>
Excess (deficiency) of revenues over (under) expenditures	(240,000)	(240,000)	221,286	461,286	26,424
OTHER FINANCING USES					
Transfers out			(7,600)	(7,600)	(346,282)
Net change in fund balance	(240,000)	(240,000)	213,686	453,686	(319,858)
Fund Balance - beginning	<u>98,206</u>	<u>98,206</u>	<u>98,206</u>		<u>418,064</u>
Fund Balance - ending	<u>\$ (141,794)</u>	<u>\$ (141,794)</u>	<u>\$ 311,892</u>	<u>\$ 453,686</u>	<u>\$ 98,206</u>

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CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

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, 2009
With Comparative Totals as of December 31, 2008

	Equipment	Information	Self-	Totals	
	Revolving Fund	Technology Revolving Fund	Insurance Fund	2009	2008
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 188,275	\$ 32,680	\$ 295,362	\$ 516,317	\$ 375,975
Investments	6,123,000	3,367,600	25,706,300	35,196,900	31,795,800
Accrued interest receivable	37,100	20,400	155,600	213,100	246,200
Taxes receivable delinquent	1,695	1,172		2,867	3,124
Due from other governmental units	902	12		914	2,378
Total Current Assets	<u>6,350,972</u>	<u>3,421,864</u>	<u>26,157,262</u>	<u>35,930,098</u>	<u>32,423,477</u>
Noncurrent Assets:					
Capital assets:					
Construction in process	103,357			103,357	
Machinery and equipment	24,568,832	1,257,580		25,826,412	23,579,500
Less: Accumulated depreciation	(14,357,658)	(790,007)		(15,147,665)	(13,724,470)
Total capital assets (net of accumulated depreciation)	<u>10,314,531</u>	<u>467,573</u>		<u>10,782,104</u>	<u>9,855,030</u>
Total Assets	<u>16,665,503</u>	<u>3,889,437</u>	<u>26,157,262</u>	<u>46,712,202</u>	<u>42,278,507</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	129,657	20,155	3,621	153,433	7,487
Accrued interest payable	19,084			19,084	
Deposits payable			126,269	126,269	148,843
Accrued compensation and payroll taxes			16,644	16,644	15,515
Due to other governmental units	1,039	116	12,349	13,504	13,278
Accrued claims			1,256,812	1,256,812	1,265,733
Bonds payable	75,000			75,000	
Total Current Liabilities	<u>224,780</u>	<u>20,271</u>	<u>1,415,695</u>	<u>1,660,746</u>	<u>1,450,856</u>
Noncurrent Liabilities:					
Bonds payable	740,000			740,000	
Accrued claims			595,071	595,071	383,066
Post employment benefit obligation			1,151,773	1,151,773	632,995
Total Noncurrent Liabilities	<u>740,000</u>		<u>1,746,844</u>	<u>2,486,844</u>	<u>1,016,061</u>
Total Liabilities	<u>964,780</u>	<u>20,271</u>	<u>3,162,539</u>	<u>4,147,590</u>	<u>2,466,917</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,499,531	467,573		9,967,104	9,855,030
Unrestricted	6,201,192	3,401,593	22,994,723	32,597,508	29,956,560
Total Net Assets	<u>\$ 15,700,723</u>	<u>\$ 3,869,166</u>	<u>\$ 22,994,723</u>	<u>\$ 42,564,612</u>	<u>\$ 39,811,590</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, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2009	2008
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 1,889,491	\$ 380,845	\$	\$ 2,270,336	\$ 2,247,315
Copy center charges	22,588			22,588	24,110
Departmental workers' compensation charges			175,671	175,671	179,756
Departmental insurance charges			11,892,701	11,892,701	11,920,615
Departmental flex charges			19,693	19,693	19,722
Employee insurance charges			1,527,537	1,527,537	1,579,501
Employee flex benefit contributions			643,374	643,374	653,211
Total Operating Revenues	<u>1,912,079</u>	<u>380,845</u>	<u>14,258,976</u>	<u>16,551,900</u>	<u>16,624,230</u>
Operating Expenses:					
Copy center	17,789			17,789	15,367
Minor equipment		195,599		195,599	268,792
Workers' compensation benefits			386,564	386,564	211,861
Workers' compensation insurance premiums			63,787	63,787	49,034
Health insurance claims			10,361,593	10,361,593	8,874,764
Flex benefits			658,202	658,202	675,159
Property and liability insurance			567,264	567,264	614,144
Property and liability claims			23,523	23,523	61,362
Other	309	144,916		145,225	153,827
Depreciation	1,899,178	168,136		2,067,314	2,043,220
Total Operating Expenses	<u>1,917,276</u>	<u>508,651</u>	<u>12,060,933</u>	<u>14,486,860</u>	<u>12,967,530</u>
Operating Income (Loss)	<u>(5,197)</u>	<u>(127,806)</u>	<u>2,198,043</u>	<u>2,065,040</u>	<u>3,656,700</u>
Nonoperating Revenues (Expenses):					
General property taxes	103,878	(133)		103,745	262,233
Interest earnings	211,718	101,630	732,861	1,046,209	1,180,768
Net increase (decrease) in the fair value of investments	(107,600)	(59,600)	(341,700)	(508,900)	761,800
Interest and fiscal charges	(18,580)			(18,580)	
Gain on disposal of property	30,671			30,671	41,516
Intergovernmental revenues	5,839	83		5,922	15,452
Other income (expense)		(86)		(86)	1,268
Total Nonoperating Revenues	<u>225,926</u>	<u>41,894</u>	<u>391,161</u>	<u>658,981</u>	<u>2,263,037</u>
Income Before Transfers and Contributions	220,729	(85,912)	2,589,204	2,724,021	5,919,737
Capital contributions		89,124		89,124	37,645
Transfers in		9,995		9,995	63,290
Transfers out		(70,118)		(70,118)	(88,329)
Change in Net Assets	220,729	(56,911)	2,589,204	2,753,022	5,932,343
Total Net Assets - beginning	<u>15,479,994</u>	<u>3,926,077</u>	<u>20,405,519</u>	<u>39,811,590</u>	<u>33,879,247</u>
Total Net Assets - ending	<u>\$ 15,700,723</u>	<u>\$ 3,869,166</u>	<u>\$ 22,994,723</u>	<u>\$ 42,564,612</u>	<u>\$ 39,811,590</u>

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

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2009	2008
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 1,911,177	\$ 383,211	\$ 12,088,065	\$ 14,382,453	\$ 14,417,362
Cash received from employees			2,170,911	2,170,911	2,232,712
Cash paid to suppliers	(16,217)	(320,379)	(11,365,166)	(11,701,762)	(11,478,769)
Other income					1,268
Net Cash Provided by Operating Activities	1,894,960	62,832	2,893,810	4,851,602	5,172,573
Cash Flows From Noncapital Financing Activities:					
General property taxes	102,183	1,819		104,002	259,110
Intergovernmental revenues	5,839	83		5,922	15,452
Transfers in		9,995		9,995	63,290
Transfers out		(70,118)		(70,118)	(88,329)
Net Cash Provided by (Used in) Noncapital Financing Activities	108,022	(58,221)		49,801	249,523
Cash Flows From Capital and Related Financing Activities:					
Proceeds from issuance of bonds	815,000			815,000	
Interest and fiscal charges	464			464	
Proceeds from sale of property	32,323	(86)		32,237	42,882
Acquisition of capital assets	(2,686,620)	(91,451)		(2,778,071)	(1,933,104)
Net Cash Used in Capital and Related Financing Activities	(1,838,833)	(91,537)		(1,930,370)	(1,890,222)
Cash Flows From Investing Activities:					
Investment income	221,318	107,030	750,961	1,079,309	1,188,768
Net increase in investments	(200,000)	(100,000)	(3,610,000)	(3,910,000)	(5,530,000)
Net Cash Provided by (Used in) Investing Activities	21,318	7,030	(2,859,039)	(2,830,691)	(4,341,232)
Net Increase (Decrease) in Cash and Cash Equivalents	185,467	(79,896)	34,771	140,342	(809,358)
Cash and Cash Equivalents, Beginning of Year	2,808	112,576	260,591	375,975	1,185,333
Cash and Cash Equivalents, End of Year	\$ 188,275	\$ 32,680	\$ 295,362	\$ 516,317	\$ 375,975

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2009	2008
Operating Income (Loss)	\$ (5,197)	\$ (127,806)	\$ 2,198,043	\$ 2,065,040	\$ 3,656,700
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	1,899,178	168,136		2,067,314	2,043,220
Other income (expense)					1,268
(Increase) Decrease In:					
Accounts receivable					28,222
Due from other governmental units	(902)	2,366		1,464	(2,378)
Increase (Decrease) In:					
Accounts payable	842	20,020	(3,721)	17,141	(143,860)
Deposits payable			(22,574)	(22,574)	(39,505)
Accrued compensation and payroll taxes			1,129	1,129	640
Due to other governmental units	1,039	116	(929)	226	3,394
Post employment benefit obligation			518,778	518,778	325,713
Accrued claims			203,084	203,084	(700,841)
Net Cash Provided by Operating Activities	\$ 1,894,960	\$ 62,832	\$ 2,893,810	\$ 4,851,602	\$ 5,172,573
Non Cash Transactions:					
Receipt of contributed property	\$	\$ 89,124	\$	\$ 89,124	\$ 37,645
Increase (Decrease) in fair value of investments	(107,600)	(59,600)	(341,700)	(508,900)	761,800

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CITY OF ROCHESTER, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

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**CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES**

December 31, 2009

	<u>INTEREST RATES AND DATES</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY DATE</u>	<u>ANNUAL SERIES PAYMENTS</u>	<u>AUTHOR- IZATION</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>OUTSTANDING</u>
<u>General Obligation</u>								
<u>Tax Increment Bonds:</u>								
Taxable Tax Increment Bonds District 7, Series 1997	5.50% (2/1; 8/1)	3/4/1997	2/1/2024	(1)	\$ 2,768,500	\$ 2,669,380	\$ 667,574	\$ 2,001,806
Subtotal General Obligation Tax Increment Bonds					<u>2,768,500</u>	<u>2,669,380</u>	<u>667,574</u>	<u>2,001,806</u>
Taxable Tax Increment Bonds Series 2009A	2.6; 3.0; 3.4; 3.65; 3.9; 4.2; 4.4; 4.7; 5.0; 5.1; 5.2; 5.3; 5.4; 5.5; 5.6; 5.7; 5.8; 5.9; 6.0%	3/15/2009	2/1/2033	\$ 220,000 (2012) 225,000 (2013) 235,000 (2014) 245,000 (2015) 250,000 (2016) 260,000 (2017) 270,000 (2018) 285,000 (2019) 300,000 (2020) 315,000 (2021) 330,000 (2022) 345,000 (2023) 365,000 (2024) 385,000 (2025) 405,000 (2026) 430,000 (2027) 455,000 (2028) 485,000 (2029) 515,000 (2030) 540,000 (2031) 570,000 (2032) 605,000 (2033)	8,035,000	8,035,000		8,035,000
Series 2000								
Subtotal General Obligation Tax Increment Bonds					<u>8,035,000</u>	<u>8,035,000</u>		<u>8,035,000</u>
Total General Obligation Tax Increment Bonds					<u>10,803,500</u>	<u>10,704,380</u>	<u>667,574</u>	<u>10,036,806</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation Sales</u>								
<u>Tax Revenue Notes:</u>								
General Obligation Taxable Sales Tax Revenue Note of 2001	2.83% (2/20: 8/20)	11/14/2001	8/20/2021	\$ 123,000 (2010) 126,000 (2011) 130,000 (2012) 134,000 (2013) 138,000 (2014) 141,000 (2015) 145,000 (2016) 150,000 (2017) 154,000 (2018) 158,000 (2019) 163,000 (2020) 167,000 (2021)	\$ 2,500,000	\$ 2,500,000	\$ 771,000	\$ 1,729,000
Subtotal General Obligation Sales Tax Revenue Notes					<u>2,500,000</u>	<u>2,500,000</u>	<u>771,000</u>	<u>1,729,000</u>
General Obligation Taxable Sales Tax Revenue Note of 2008	3.42% (2/20: 8/20)	12/5/2008	8/20/2028	\$ 92,000 (2010) 95,000 (2011) 99,000 (2012) 102,000 (2013) 106,000 (2014) 109,000 (2015) 113,000 (2016) 117,000 (2017) 121,000 (2018) 125,000 (2019) 129,000 (2020) 134,000 (2021) 138,000 (2022) 143,000 (2023) 148,000 (2024) 153,000 (2025) 158,000 (2026) 163,000 (2027) 169,000 (2028)	2,500,000	2,500,000	86,000	2,414,000
Subtotal General Obligation Sales Tax Revenue Notes					<u>2,500,000</u>	<u>2,500,000</u>	<u>86,000</u>	<u>2,414,000</u>
Total General Obligation Sales Tax Revenue Notes					<u>5,000,000</u>	<u>5,000,000</u>	<u>857,000</u>	<u>4,143,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Wastewater Treatment Revenue Bonds 2004A dated November 1, 2004- str 2/1/11	3.0, 5.0% (2/1; 8/1)	11/1/2004	2/1/2026	\$ 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	\$ 3,185,000	\$ 80,550,000
Subtotal General Obligation Revenue Bonds					83,735,000	83,735,000	3,185,000	80,550,000

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

December 31, 2009

	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 2007A	4.0, 4.125, 4.25 4.375, 5.0% (2/1; 8/1)	2/1/2007	12/1/2026	\$ 670,000 (2010) 695,000 (2011) 720,000 (2012) 1,475,000 (2013) 1,625,000 (2014) 1,690,000 (2015) 1,750,000 (2016) 1,820,000 (2017) 1,890,000 (2018) 1,965,000 (2019) 2,045,000 (2020) 2,130,000 (2021) 2,215,000 (2022) 2,285,000 (2023) 2,385,000 (2024) 2,485,000 (2025) 2,610,000 (2026)	\$ 30,455,000	\$ 30,455,000	\$	\$ 30,455,000
Subtotal General Obligation Revenue Bonds					30,455,000	30,455,000		30,455,000
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Variable Rate Demand Wastewater Treatment Revenue Bonds 2007B	Variable (monthly)	4/12/2007	12/1/2026	(2)	19,500,000	19,500,000	1,200,000	18,300,000
Subtotal General Obligation Revenue Bonds					19,500,000	19,500,000	1,200,000	18,300,000
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Wastewater Treatment Revenue Refunding Bonds 2009C	2.00%	3/15/2009	12/1/2011	\$ 935,000 (2010) 960,000 (2011)	2,825,000	2,825,000	930,000	1,895,000
Subtotal General Obligation Revenue Bonds					2,825,000	2,825,000	930,000	1,895,000
Total General Obligation Revenue Bonds					136,515,000	136,515,000	5,315,000	131,200,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Certificates of Indebtedness</u>								
Equipment Certificates of Indebtedness Series 2009B	2.50; 3.0; 3.25; 3.50% (2/1; 8/1)	3/15/2009	2/1/2019	\$ 75,000 (2010) 75,000 (2011) 70,000 (2012) 75,000 (2013) 80,000 (2014) 85,000 (2015) 80,000 (2016) 90,000 (2017) 90,000 (2018) 95,000 (2019)	\$ 815,000	\$ 815,000	\$	\$ 815,000
Total General Obligation Certificates of Indebtedness					815,000	815,000		815,000
<u>Revenue Bonds:</u>								
Electric Utility Revenue Bonds, Series 2000	4.75% (6/1; 12/1)	12/1/2000	12/1/2030	865,000 (2010) (3)	37,290,000	37,290,000	36,425,000	865,000
Subtotal Revenue Bonds					37,290,000	37,290,000	36,425,000	865,000
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	\$ 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	4,365,000	6,910,000
Subtotal Revenue Bonds					11,275,000	11,275,000	4,365,000	6,910,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	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 2007C	4, 4.25, 4.5, 5% (12/1)	3/19/2007	12/1/2030	\$ 235,000 (2010) 1,145,000 (2011) 1,190,000 (2012) 1,235,000 (2013) 1,285,000 (2014) 2,305,000 (2015) 2,415,000 (2016) 2,535,000 (2017) 3,710,000 (2018) 3,895,000 (2019) 4,060,000 (2020) 4,225,000 (2021) 4,395,000 (2022) 4,590,000 (2023) 4,800,000 (2024) 5,015,000 (2025) 5,240,000 (2026) 5,475,000 (2027) 5,710,000 (2028) 5,995,000 (2029) 6,295,000 (2030)	\$ 76,680,000	\$ 76,680,000	\$ 930,000	\$ 75,750,000
Subtotal Revenue Bonds					76,680,000	76,680,000	930,000	75,750,000
Total Revenue Bonds					125,245,000	125,245,000	41,720,000	83,525,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Notes:</u>								
Electric Utility Note, Note of 2005	3.98% (12/1)	3/10/2005	12/1/2014	\$ 580,000 (2010) 645,000 (2011) 715,000 (2012) 795,000 (2013) 880,000 (2014)	\$ 5,765,000	\$ 5,765,000	\$ 2,150,000	\$ 3,615,000
Subtotal Revenue Notes					<u>5,765,000</u>	<u>5,765,000</u>	<u>2,150,000</u>	<u>3,615,000</u>
<u>Revenue Notes:</u>								
Electric Utility Note, Note of 2009A	Variable (12/1)	9/25/2009	12/1/2014	\$1,210,000 (2010) 1,260,000 (2011) 1,315,000 (2012) 1,375,000 (2013) 1,430,000 (2014)	6,790,000	6,790,000	200,000	6,590,000
Subtotal Revenue Notes					<u>6,790,000</u>	<u>6,790,000</u>	<u>200,000</u>	<u>6,590,000</u>
<u>Revenue Notes:</u>								
Water Utility Note, Note of 2006	3.80% (12/1)	8/10/2006	12/1/2010	\$ 410,000 (2010)	1,525,000	1,525,000	1,115,000	410,000
Subtotal Revenue Notes					<u>1,525,000</u>	<u>1,525,000</u>	<u>1,115,000</u>	<u>410,000</u>
Total Revenue Notes					<u>14,080,000</u>	<u>14,080,000</u>	<u>3,465,000</u>	<u>10,615,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Loan Payable</u>								
Energy Loan Payable Note of 2006	4.10% (3/31; 9/30)	6/30/2006	9/30/2018	\$ 417,603 (2010) 434,900 (2011) 452,914 (2012) 471,674 (2013) 491,210 (2014) 511,556 (2015) 532,745 (2016) 554,812 (2017) 577,791 (2018)	\$ 5,715,795	\$ 5,715,795	\$ 1,270,590	\$ 4,445,205
Total Loan Payable					5,715,795	5,715,795	1,270,590	4,445,205

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Notes Payable:</u>								
Airport Hanger Note of 2001	0% (monthly)	8/1/2002	8/1/2012	\$ 21,530 (2010) 21,530 (2011) 14,354 (2012)	\$ 222,400	\$ 215,301	\$ 157,887	\$ 57,414
Subtotal Notes Payable					222,400	215,301	157,887	57,414
<u>Notes Payable:</u>								
Airport Hanger Note of 2006	0% (monthly)	11/1/2006	11/1/2016	\$ 26,394 (2010) 26,394 (2011) 26,394 (2012) 26,394 (2013) 26,394 (2014) 26,394 (2015) 21,998 (2016)	263,944	263,944	83,582	180,362
Subtotal Notes Payable					263,944	263,944	83,582	180,362
Total Notes Payable					486,344	479,245	241,469	237,776
<u>Capital Lease Obligations</u>								
Electric Utility Capital Leases	4.46, 1.995% (Qtr., Monthly)	11/5/2007	12/9/2010	\$ 228,252 (2010)	886,219	886,219	657,967	228,252
Total Capital Lease Obligations					886,219	886,219	657,967	228,252

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2009

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Economic Development</u>								
<u>Authority Revenue Bonds (continued):</u>								
Lease Revenue Bonds	4.71%	1/9/2008	2/1/2033	\$ 155,000 (2010)	\$ 6,700,000	\$ 6,700,000	\$	\$ 6,700,000
Series 2008	(2/1; 8/1)			165,000 (2011)				
				170,000 (2012)				
				180,000 (2013)				
				190,000 (2014)				
				195,000 (2015)				
				205,000 (2016)				
				215,000 (2017)				
				225,000 (2018)				
				235,000 (2019)				
				250,000 (2020)				
				260,000 (2021)				
				270,000 (2022)				
				285,000 (2023)				
				300,000 (2024)				
				310,000 (2025)				
				325,000 (2026)				
				345,000 (2027)				
				360,000 (2028)				
				375,000 (2029)				
				395,000 (2030)				
				410,000 (2031)				
				430,000 (2032)				
				450,000 (2033)				
Subtotal Economic Development Authority Revenue Bonds					<u>6,700,000</u>	<u>6,700,000</u>		<u>6,700,000</u>
Total Economic Development Authority Revenue Bonds					<u>16,600,000</u>	<u>16,600,000</u>		<u>16,600,000</u>
TOTAL DEBT PAYABLE					<u>\$ 316,146,858</u>	<u>\$ 316,040,639</u>	<u>\$ 54,194,600</u>	<u>\$ 261,846,039</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 Variable Rate Demand Wastewater Treatment Revenue Bonds are structured without fixed principal maturities. Monthly interest payments will be made however, the principal is not due until maturity.
- (3) In 2007, the 2011 to 2030 maturities of the Electric Utility Revenue Bonds, Series 2000, were defeased in an advanced refunding resulting from the issuance of the Electric Utility Revenue Bonds, Series 2007.

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CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS
For the Year Ended December 31, 2009

	Salaries and Wages		Employer Contributions				Total	
	Amount	Pension	Social Security	Group Insurance	Workers' Compensation	Unemployment Compensation	Other (1) Contributions	Wages and Contributions
<u>Government and Fiduciary Fund Types</u>								
General Government	\$ 4,093,787	\$ 264,329	\$ 284,222	\$ 888,050	\$ 2,690	\$ 257	\$ 8,593	\$ 5,541,928
Public Safety								
Police	11,439,406	1,486,425	228,578	2,352,623	57,120	12	25,046	15,589,210
Communications	1,452,869	98,061	108,210	263,313	582	694	3,880	1,927,609
Fire	7,968,471	1,071,896	110,815	1,584,987	32,055		3,271	10,771,495
Fire Hazmat								
Response Team	30,465	4,296	359		85			35,205
Building Safety	1,767,058	118,944	130,854	384,725	1,413		1,096	2,404,090
Animal Control	140,120	9,458	10,412	42,098	768			202,856
Flood Control	119,883	6,371	8,789	14,717	429	3,347		153,536
Public Works	5,300,343	355,222	384,298	1,106,476	36,186	681	6,783	7,189,989
Music	274,548	18,216	19,687	60,564	149		752	373,916
Library	3,419,160	221,052	254,715	560,315	3,294	301	8,397	4,467,234
Park and Recreation	5,094,453	292,459	372,800	952,005	26,814	32,952	2,041	6,773,524
TOTAL	\$ 41,100,563	\$ 3,946,729	\$ 1,913,739	\$ 8,209,873	\$ 161,585	\$ 38,244	\$ 59,859	\$ 55,430,592
<u>Proprietary Fund Types</u>								
Parking	\$ 247,736	\$ 16,362	\$ 18,096	\$ 64,579	\$ 1,612		\$ 574	\$ 348,959
Electric Utility	13,793,513	903,509	997,928	2,408,850	74,316	33,970	4,753	18,216,839
Water Utility	1,336,392	88,976	99,517	272,638	1,903		294	1,799,720
Sewer Utility	2,123,585	140,107	154,059	528,324	12,751	4,229	1,065	2,964,120
Storm Water Utility	308,717	20,553	23,418	45,992	224		672	399,576
TOTAL	\$ 17,809,943	\$ 1,169,507	\$ 1,293,018	\$ 3,320,383	\$ 90,806	\$ 38,199	\$ 7,358	\$ 23,729,214

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

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CITY OF ROCHESTER, MINNESOTA

STATISTICAL SECTION

DECEMBER 31, 2009

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Content</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	104
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	111
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	122
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	125

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

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CITY OF ROCHESTER, MINNESOTA
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year				
	2009	2008	2007	2006	2005
Expenses					
Governmental activities:					
General government	\$ 6,943,475	\$ 7,474,607	\$ 6,878,399	\$ 6,487,386	\$ 6,064,465
Public safety	37,982,196	36,879,979	33,168,820	31,767,951	28,164,368
Public works	24,551,047	18,064,883	18,210,209	14,268,684	12,249,412
Airport	5,572,561	6,204,997	5,432,334	4,387,112	5,457,037
Transit	4,465,509	4,463,679	3,500,207	3,270,811	3,297,701
Culture	7,698,935	7,830,377	7,023,517	6,611,227	6,443,821
Park and recreation	15,631,196	14,899,915	13,505,054	14,034,860	14,436,903
Economic development/tourism	6,545,075	3,168,068	8,367,880	3,834,472	3,560,176
Community reinvestment/unallocated	572,515	1,351,984	350,641	4,708,895	939,928
Interest on long-term debt	1,574,213	1,194,906	747,424	988,639	870,516
Total governmental activities expenses	<u>111,536,722</u>	<u>101,533,395</u>	<u>97,184,485</u>	<u>90,360,037</u>	<u>81,484,327</u>
Business-Type activities:					
Parking	3,731,599	3,520,547	3,327,342	3,088,091	3,138,080
Electric utility	123,933,285	132,989,378	138,769,304	117,966,938	97,352,275
Water utility	7,172,964	6,950,672	6,921,476	6,765,775	6,096,397
Sewer utility	22,180,957	21,923,523	16,546,960	14,313,983	14,067,892
Storm water utility	2,721,314	2,852,576	2,809,129	3,031,398	2,524,057
Total business-type activities expenses	<u>159,740,119</u>	<u>168,236,696</u>	<u>168,374,211</u>	<u>145,166,185</u>	<u>123,178,701</u>
Total primary government expenses	<u>\$ 271,276,841</u>	<u>\$ 269,770,091</u>	<u>\$ 265,558,696</u>	<u>\$ 235,526,222</u>	<u>\$ 204,663,028</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 501,912	\$ 471,410	\$ 475,122	\$ 445,062	\$ 440,710
Public safety	4,705,781	5,448,286	5,276,766	5,729,159	6,020,036
Public works	194,890	230,585	266,410	212,015	240,393
Airport	2,678,608	2,934,276	2,936,705	2,647,146	2,586,232
Transit	659,012	663,088	185,476	150,853	61,994
Culture	412,840	394,469	359,394	350,637	373,127
Park and recreation	6,810,599	6,221,588	5,664,465	5,212,280	5,295,126
Economic development/tourism	63,291	126,214	50,984	63,375	5,104
Operating grants and contributions	10,404,046	7,249,392	6,857,250	6,797,593	7,059,210
Capital grants and contributions	17,571,480	23,341,029	23,698,012	34,407,050	37,406,085
Total governmental activities program revenues	<u>44,002,459</u>	<u>47,080,337</u>	<u>45,770,584</u>	<u>56,015,170</u>	<u>59,488,017</u>
Business-type activities:					
Charges for services:					
Parking	4,701,251	4,512,354	4,191,797	3,876,103	3,670,386
Electric utility	136,149,438	147,462,166	156,772,451	130,723,369	112,432,402
Water utility	8,192,390	8,174,118	8,273,714	7,747,854	7,047,596
Sewer utility	15,150,978	13,646,680	13,234,276	11,394,102	10,208,056
Storm water utility	4,239,649	3,593,395	3,470,521	4,219,736	3,822,275
Operating grants and contributions					
Capital grants and contributions	1,088,397	5,123,882	2,066,552	5,510,770	13,946,513
Total business-type activities program revenues	<u>169,522,103</u>	<u>182,512,595</u>	<u>188,009,311</u>	<u>163,471,934</u>	<u>151,127,228</u>
Total primary government program revenues	<u>\$ 213,524,562</u>	<u>\$ 229,592,932</u>	<u>\$ 233,779,895</u>	<u>\$ 219,487,104</u>	<u>\$ 210,615,245</u>

Schedule 1

2004	2003	2002
\$ 5,903,311	\$ 5,734,481	\$ 5,851,253
27,197,802	27,005,418	24,902,138
11,869,756	10,830,561	9,151,080
3,691,508	3,909,745	3,361,247
2,736,558	2,421,656	2,147,409
7,910,173	7,133,775	6,205,147
12,095,905	11,132,117	10,965,066
3,149,558	3,583,394	1,822,976
198,911	413,928	669,016
1,333,511	1,652,179	1,949,974
<u>76,086,993</u>	<u>73,817,254</u>	<u>67,025,306</u>
2,963,261	2,978,908	2,846,621
92,520,009	90,481,982	80,739,625
5,731,981	5,395,691	4,280,928
8,831,583	8,296,896	8,491,759
1,899,924		
<u>111,946,758</u>	<u>107,153,477</u>	<u>96,358,933</u>
<u>\$ 188,033,751</u>	<u>\$ 180,970,731</u>	<u>\$ 163,384,239</u>

\$ 508,946	\$ 451,376	\$ 489,957
5,787,232	4,522,238	4,059,986
254,291	429,059	362,252
2,392,001	2,305,849	2,194,399
65,675	86,919	89,054
323,362	282,398	281,685
5,415,854	4,828,787	4,666,340
10,000	49,097	39,000
7,107,431	5,454,108	5,638,107
31,083,644	32,661,685	26,777,358
<u>52,948,436</u>	<u>51,071,516</u>	<u>44,598,138</u>

3,700,360	3,545,223	3,403,739
102,339,632	99,090,742	90,633,880
6,475,669	6,368,057	5,707,107
9,407,148	9,487,546	8,985,231
3,082,517		6,922
<u>16,514,378</u>	<u>3,231,367</u>	<u>1,339,950</u>
<u>141,519,704</u>	<u>121,722,935</u>	<u>110,076,829</u>
<u>\$ 194,468,140</u>	<u>\$ 172,794,451</u>	<u>\$ 154,674,967</u>

CITY OF ROCHESTER, MINNESOTA
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year				
	2009	2008	2007	2006	2005
Net (Expense) Revenue					
Governmental Activities	\$ (67,534,263)	\$ (54,453,058)	\$ (51,413,901)	\$ (34,344,867)	\$ (22,266,524)
Business-type activities	9,781,984	14,275,899	19,635,100	18,305,749	27,948,527
Total primary government net revenue	<u>\$ (57,752,279)</u>	<u>\$ (40,177,159)</u>	<u>\$ (31,778,801)</u>	<u>\$ (16,039,118)</u>	<u>\$ 5,682,003</u>
General Revenues and Other Changes In Net Assets					
Governmental activities:					
Taxes					
General property taxes	\$ 39,179,058	\$ 37,734,057	\$ 35,000,100	\$ 32,917,358	\$ 29,975,840
Tax increments collection (refund)	1,686,611	1,590,432	1,299,451	1,191,508	1,234,488
Sales tax	9,192,275	9,594,526	9,720,049	9,196,080	8,767,156
Nonproperty taxes	4,909,229	4,773,328	4,685,569	4,391,370	4,028,109
Unrestricted grants and contributions	8,799,788	7,128,314	7,805,835	7,166,725	7,909,168
Interest earnings	4,695,597	6,132,448	6,680,418	5,623,033	3,797,186
Gain on disposition of property	30,671	401,516	1,719,959	108,549	
Net increase (decrease) in the fair value of investments	(2,517,582)	2,807,423	2,719,499	883,248	(607,192)
Miscellaneous	819,814	344,243	132,821	124,415	203,936
Transfers	5,735,310	6,809,616	1,830,010	10,414,727	8,324,956
Total governmental activities	<u>72,530,771</u>	<u>77,315,903</u>	<u>71,593,711</u>	<u>72,017,013</u>	<u>63,633,647</u>
Business-type activities:					
Taxes:					
General property taxes					
Unrestricted grants and contributions	33,451	124,105	480,253	9,796	9,796
Interest earnings	2,142,150	4,435,397	5,692,584	3,292,735	3,187,157
Net increase (decrease) in the fair value of investments	(243,846)	303,115	819,635	326,437	(287,211)
Miscellaneous	(360,518)	(219,415)	(615,399)	1,351,962	283,893
Transfers	(5,735,310)	(6,809,616)	(1,830,010)	(10,414,727)	(8,324,956)
Total business-type activities	<u>(4,164,073)</u>	<u>(2,166,414)</u>	<u>4,547,063</u>	<u>(5,433,797)</u>	<u>(5,131,321)</u>
Total primary government	<u>\$ 68,366,698</u>	<u>\$ 75,149,489</u>	<u>\$ 76,140,774</u>	<u>\$ 66,583,216</u>	<u>\$ 58,502,326</u>
Change in Net Assets					
Governmental activities	\$ 4,996,508	\$ 22,862,845	\$ 20,179,810	\$ 37,672,146	\$ 41,367,123
Business-type activities	5,617,911	12,109,485	24,182,163	12,871,952	22,817,206
Total primary government	<u>\$ 10,614,419</u>	<u>\$ 34,972,330</u>	<u>\$ 44,361,973</u>	<u>\$ 50,544,098</u>	<u>\$ 64,184,329</u>

Schedule 1 (Continued)

2004	2003	2002
\$ (23,138,557)	\$ (22,745,738)	\$ (22,427,168)
29,572,946	14,569,458	13,717,896
<u>\$ 6,434,389</u>	<u>\$ (8,176,280)</u>	<u>\$ (8,709,272)</u>

\$ 26,767,245	\$ 22,420,404	\$ 20,474,967
(1,595,672)	4,055,894	3,052,017
8,614,955	8,220,946	7,921,644
3,756,385	3,617,969	3,076,488
9,044,063	10,416,306	11,798,019
3,387,331	3,997,386	4,773,255
(569,493)	(835,075)	(179,625)
	1,692,941	715,046
<u>(67,769,519)</u>	<u>(32,179,691)</u>	<u>8,622,994</u>
<u>(18,364,705)</u>	<u>21,407,080</u>	<u>60,254,805</u>

98	235,464	229,529
9,796	31,509	32,939
1,325,304	1,172,064	1,604,523
(207,523)	(167,200)	(37,800)
1,738,514	259,370	87,445
<u>67,769,519</u>	<u>32,179,691</u>	<u>(8,622,994)</u>
<u>70,635,708</u>	<u>33,710,898</u>	<u>(6,706,358)</u>
<u>\$ 52,271,003</u>	<u>\$ 55,117,978</u>	<u>\$ 53,548,447</u>

\$ (41,503,262)	\$ (1,338,658)	\$ 37,827,637
100,208,654	48,280,356	7,011,538
<u>\$ 58,705,392</u>	<u>\$ 46,941,698</u>	<u>\$ 44,839,175</u>

CITY OF ROCHESTER, MINNESOTA
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities								
Invested in capital assets, net of related debt	\$ 476,465,001	\$ 471,635,637	\$ 450,288,207	\$ 457,540,608	\$ 416,574,584	\$ 386,077,492	\$ 282,414,633	\$ 205,794,584
Restricted	44,545,026	41,620,652	34,132,247	35,318,787	41,810,285	32,353,633	31,162,798	51,472,992
Unrestricted	107,236,722	109,993,952	115,966,942	87,348,191	84,150,571	82,737,192	71,752,797	71,845,371
Total governmental activities net assets	<u>\$ 628,246,749</u>	<u>\$ 623,250,241</u>	<u>\$ 600,387,396</u>	<u>\$ 580,207,586</u>	<u>\$ 542,535,440</u>	<u>\$ 501,168,317</u>	<u>\$ 385,330,228</u>	<u>\$ 329,112,947</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 329,040,537	\$ 344,902,226	\$ 327,640,171	\$ 321,774,320	\$ 318,365,341	\$ 296,064,485	\$ 201,388,459	\$ 153,952,827
Restricted			2,132,585	3,467,373	660,387	241,608	462,979	509,046
Unrestricted	87,768,881	66,289,281	69,309,266	49,658,166	43,002,179	42,904,608	37,153,609	36,259,818
Total business-type activities net assets	<u>\$ 416,809,418</u>	<u>\$ 411,191,507</u>	<u>\$ 399,082,022</u>	<u>\$ 374,899,859</u>	<u>\$ 362,027,907</u>	<u>\$ 339,210,701</u>	<u>\$ 239,005,047</u>	<u>\$ 190,721,691</u>
Primary government								
Invested in capital assets, net of related debt	\$ 805,505,538	\$ 816,537,863	\$ 777,928,378	\$ 779,314,928	\$ 734,939,925	\$ 682,141,977	\$ 483,803,092	\$ 359,747,411
Restricted	44,545,026	41,620,652	36,264,832	38,786,160	42,470,672	32,595,241	31,625,777	51,982,038
Unrestricted	195,005,603	176,283,233	185,276,208	137,006,357	127,152,750	125,641,800	108,906,406	108,105,189
Total primary government net assets	<u>\$ 1,045,056,167</u>	<u>\$ 1,034,441,748</u>	<u>\$ 999,469,418</u>	<u>\$ 955,107,445</u>	<u>\$ 904,563,347</u>	<u>\$ 840,379,018</u>	<u>\$ 624,335,275</u>	<u>\$ 519,834,638</u>

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General fund										
Reserved	\$ 492,914	\$ 607,823	\$ 522,548	\$ 278,233	\$ 247,167	\$ 204,663	\$ 168,106	\$ 1,000,268	\$ 87,853	\$ 110,703
Unreserved	22,043,737	19,434,360	21,191,433	19,049,670	18,523,007	16,623,301	14,355,909	15,108,702	16,330,831	16,734,379
Total general fund	<u>22,536,651</u>	<u>20,042,183</u>	<u>21,713,981</u>	<u>19,327,903</u>	<u>18,770,174</u>	<u>16,827,964</u>	<u>14,524,015</u>	<u>16,108,970</u>	<u>16,418,684</u>	<u>16,845,082</u>
All other governmental funds										
Reserved	53,638,296	49,533,336	33,041,168	43,485,369	55,787,032	34,777,175	31,719,292	60,077,820	11,698,481	20,392,105
Unreserved, reported in:										
Special revenue funds	10,325,542	8,989,193	7,752,101	6,881,281	6,427,946	5,764,579	5,258,039	5,546,715	4,977,218	6,075,739
Capital projects funds	24,282,673	34,726,536	53,197,187	21,619,691	17,265,911	34,799,074	29,901,889	20,512,488	67,219,762	62,117,181
Total all other governmental funds	<u>88,246,511</u>	<u>93,249,065</u>	<u>93,990,456</u>	<u>71,986,341</u>	<u>79,480,889</u>	<u>75,340,828</u>	<u>66,879,220</u>	<u>86,137,023</u>	<u>83,895,461</u>	<u>88,585,025</u>
Total governmental funds	<u>\$110,783,162</u>	<u>\$113,291,248</u>	<u>\$115,704,437</u>	<u>\$91,314,244</u>	<u>\$98,251,063</u>	<u>\$92,168,792</u>	<u>\$81,403,235</u>	<u>\$102,245,993</u>	<u>\$100,314,145</u>	<u>\$105,430,107</u>

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
General property taxes	\$ 38,806,150	\$ 37,400,201	\$ 34,885,591	\$ 32,747,658	\$ 29,970,540	\$ 26,897,971	\$ 22,507,887	\$ 20,192,571	\$ 18,897,696	\$ 17,348,234
Tax increments collections (refund)	1,686,611	1,590,432	1,299,451	1,191,508	1,234,488	(1,595,672)	4,055,894	3,052,017	4,299,961	3,943,496
Sales tax	9,192,275	9,594,526	9,720,049	9,196,080	8,767,156	8,614,955	8,220,946	7,921,644	8,213,568	7,632,710
Special assessments	1,533,001	1,572,955	1,872,185	2,837,271	1,906,295	2,278,962	2,941,526	1,221,268	1,305,103	2,043,747
Utility connection and availability	326,051	550,149	174,075	3,157,467	2,954,785	3,403,538	2,747,797	1,831,062	1,667,076	2,029,107
Nonproperty taxes	4,909,229	4,773,328	4,685,569	4,391,370	4,028,109	3,756,385	3,617,969	3,076,488	2,886,254	3,333,724
Licenses and permits	2,279,973	2,680,368	2,810,859	3,289,288	3,570,176	3,386,298	2,284,715	2,181,469	2,779,127	2,805,189
Fines and forfeits	544,259	524,331	513,192	427,241	402,795	489,227	489,804	490,632	476,688	444,225
Intergovernmental revenues	29,659,974	29,181,062	24,742,193	22,573,306	32,664,845	24,944,012	25,216,442	23,828,884	21,057,678	28,908,979
Charges for services	13,687,801	13,861,583	12,527,566	11,682,523	11,595,069	11,401,301	10,714,301	10,038,377	8,182,950	7,950,457
Contributions in aid of construction	211,374	888,348	1,227,075	4,833,843	2,749,763	3,237,156	2,086,774	4,384,107		
Interest earnings	3,649,388	4,951,680	5,627,588	4,827,415	3,321,326	3,020,843	3,543,879	4,133,294	6,272,502	5,119,395
Net increase (decrease) in the fair value of investments	(2,008,682)	2,045,623	2,183,099	730,848	(489,892)	(465,593)	(699,075)	(135,125)	716,724	1,470,648
Miscellaneous revenues	3,372,574	1,321,646	3,173,243	1,167,761	1,158,206	1,417,577	1,876,140	1,591,942	4,134,439	9,437,229
Total Revenues	107,849,978	110,936,232	105,441,735	103,053,579	103,833,661	90,786,960	89,604,999	83,808,630	80,889,766	92,467,140
EXPENDITURES										
General government	6,691,631	6,873,581	6,368,922	5,964,505	5,403,334	5,100,229	5,018,922	5,207,735	4,500,540	4,291,500
Public safety	34,986,398	34,891,804	31,350,259	29,955,158	27,667,124	26,002,843	25,530,479	23,951,743	22,325,851	20,479,801
Public works	9,096,795	10,640,690	9,120,258	7,682,125	7,754,287	7,394,724	8,794,145	8,847,715	8,645,837	7,911,352
Airport operations	3,038,389	3,192,454	3,105,049	2,734,471	2,860,315	2,569,762	2,486,053	2,383,311	2,015,307	1,869,128
Transit	3,791,674	3,781,225	2,828,406	2,649,879	2,749,219	2,275,346	2,078,501	1,948,980	1,828,335	1,684,250
Culture	6,896,807	7,099,224	6,658,566	6,390,860	6,004,368	5,620,173	5,097,913	5,351,559	4,878,679	4,512,499
Park and recreation	12,024,541	11,728,868	10,929,854	10,357,189	10,079,101	9,308,479	8,628,398	8,886,606	8,744,654	8,284,079
Economic development/tourism	2,601,319	2,352,074	2,457,602	2,218,788	2,509,103	2,262,933	2,046,331	1,819,950	813,489	823,529
Community reinvestment and unallocated	572,108	633,038	352,345	469,416	284,907	196,943	411,960	667,048	313,907	327,287
Debt service										
Interest	1,284,802	874,312	808,672	1,204,347	871,820	1,044,521	1,493,986	1,910,709	2,079,614	1,168,545
Principal	958,505	663,295	8,043,363	3,237,648	420,979	2,764,417	19,235,385	1,128,951	1,011,005	2,222,650
Capital outlay	46,496,499	55,245,719	18,346,025	58,045,351	44,461,829	27,672,306	39,032,035	31,122,527	38,205,144	45,753,554
Total Expenditures	128,439,468	137,976,284	100,369,321	130,909,737	111,066,386	92,212,676	119,854,108	93,226,834	95,362,362	99,328,174
Excess (deficiency) of revenues over (under) expenditures	(20,589,490)	(27,040,052)	5,072,414	(27,856,158)	(7,232,725)	(1,425,716)	(30,249,109)	(9,418,204)	(14,472,596)	(6,861,034)
OTHER FINANCING SOURCES (USES)										
Sale of land		360,000								
Proceeds from borrowing	8,035,000	9,200,000	9,900,000	5,979,739				2,505,252	968,722	27,625,000
Transfers in	14,722,178	23,646,860	23,434,123	20,006,124	16,745,551	19,070,845	29,737,413	16,367,193	13,844,499	18,138,232
Transfers out	(4,675,774)	(8,579,997)	(14,016,344)	(5,066,524)	(3,787,385)	(6,879,572)	(20,331,062)	(7,799,215)	(5,430,327)	(7,417,817)
Total other financing sources (uses)	18,081,404	24,626,863	19,317,779	20,919,339	12,958,166	12,191,273	9,406,351	11,073,230	9,382,894	38,345,415
Net change in fund balances	\$ (2,508,086)	\$ (2,413,189)	\$ 24,390,193	\$ (6,936,819)	\$ 5,725,441	\$ 10,765,557	\$ (20,842,758)	\$ 1,655,026	\$ (5,089,702)	\$ 31,484,381
Debt service as a percentage of noncapital expenditures	2.77%	1.88%	10.89%	6.16%	1.96%	5.96%	25.84%	4.96%	5.48%	6.41%

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

Payable Year	Real Property		Personal Property		Total Tax Capacity (1)	City Tax Rate %	Total Estimated Market Value (1)	% of Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value				
2001	\$67,070,403	\$3,873,614,700	\$622,362	\$18,559,600	\$67,692,765	29.558	\$3,892,174,300	1.74
					64,293,994		3,672,366,000	1.75
2002	56,758,188	4,526,307,800	394,054	19,550,600	57,152,242	41.376	4,545,858,400	1.26
					54,427,635		4,283,599,300	1.27
2003	63,783,214	5,158,173,100	493,262	24,938,100	64,276,476	40.873	5,183,111,200	1.24
					61,120,057		4,866,060,700	1.26
2004	69,480,548	5,722,379,100	510,278	25,454,100	69,990,826	40.743	5,747,833,200	1.22
					66,852,309		5,448,462,400	1.23
2005	78,600,356	6,390,285,710	610,070	29,020,600	79,210,426	41.620	6,419,306,310	1.23
					78,104,210		6,403,581,010	1.22
2006	85,437,761	7,002,553,700	679,693	34,513,900	86,117,454	41.672	7,037,067,600	1.22
					84,983,357		7,015,198,500	1.21
2007	90,949,329	7,512,154,400	822,074	41,718,600	91,771,403	41.707	7,553,873,000	1.21
					90,567,262		7,530,242,600	1.20
2008	95,794,200	7,901,523,500	688,498	35,004,300	96,482,698	42.455	7,936,527,800	1.22
					95,077,087		7,910,965,100	1.20
2009	103,127,070	8,375,322,700	739,892	37,650,400	103,866,962	41.008	8,412,973,100	1.23
					102,305,913		8,385,349,000	1.22
2010	105,604,986	8,548,508,300	810,344	43,140,600	106,415,330	42.817	8,591,648,900	1.24
					104,661,042		8,558,844,600	1.22

(1) Second amounts are net of Tax Increment.

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

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

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

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

Fiscal Year	City of Rochester Direct Rate		Overlapping Rates		
	Operating	Debt Service	Range of Tax Rates for Independent School Districts 531, 534 & 535	Olmsted County	Range of Total Direct and Overlapping Tax Rates
2001	29.558 %	NA %	53.146 - 55.408 %	44.642 %	127.346 - 129.608 %
2002	41.376	NA	27.961 - 33.274	58.608	127.945 - 133.258
2003	40.873	NA	26.417 - 34.539	57.057	124.347 - 132.469
2004	40.743	NA	25.966 - 36.121	55.782	122.491 - 132.646
2005	41.620	NA	25.388 - 26.697	51.786	118.794 - 120.103
2006	41.672	NA	23.695 - 24.881	50.831	116.198 - 117.384
2007	41.707	NA	22.670 - 38.666	51.957	116.334 - 132.330
2008	42.455	NA	21.801 - 37.766	52.454	116.710 - 132.675
2009	40.900	0.108	20.303 - 37.107	52.288	113.599 - 130.403
2010	42.340	0.477	20.656 - 36.881	52.594	116.067 - 132.292

Source: Olmsted County Assessor

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

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

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

Taxpayers (1)	2009 Taxes Payable			2001 Taxes Payable		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Mayo Foundation/Association	\$ 5,462,969	1	5.34 %	\$ 5,159,306	1	8.02 %
MEPC-Apache Properties	1,014,458	2	0.99			
IBM Corporation	825,239	3	0.81	1,525,193	2	2.37
Sunstone SH Hotels	679,134	4	0.66			
NNN 3050 Superior LLC	569,614	5	0.56			
Mortenson Properties	510,738	6	0.50	484,112	7	0.75
Leslie E Nelson	460,907	7	0.45	434,513	9	0.68
Rochester Development	444,545	8	0.43			
Maine Land LLC	487,816	9	0.48			
IRET Properties	335,148	10	0.33	400,622	10	0.62
General Growth-Apache Mall				1,349,544	3	2.10
BGD5 - Ltd Partnership				847,909	4	1.32
Utilicorp United				587,250	5	0.91
Kahler				548,804	6	0.85
Seneca Foods				482,348	8	0.75
TOTAL	<u>\$10,790,568</u>		<u>10.55 %</u>	<u>\$11,819,601</u>		<u>18.37 %</u>

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (2)		Total Delinquent Taxes (3)	Delinquent Taxes As A % Of Total Net Tax Levy
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy		
2000	\$ 21,969,974	\$ 17,600,000	\$ 17,374,147	98.72%	\$ 204,777	\$ 17,578,924	99.88%	\$ 509	0.00
2001	23,341,910	18,970,957	18,847,216	99.35	107,321	18,954,537	99.91	33	0.00
2002	22,480,055	20,438,982	20,263,091	99.14	157,631	20,420,722	99.91	375	0.00
2003	24,950,756	22,867,100	22,510,212	98.44	259,295	22,769,507	99.57	(10,191)	(0.04)
2004	27,189,112	25,100,811	24,842,761	98.97	174,775	25,017,536	99.67	(2,780)	(0.01)
2005	32,370,616	30,167,456	29,854,020	98.96	159,185	30,013,205	99.49	774	0.00
2006	35,159,505	32,947,173	32,528,890	98.73	231,468	32,760,358	99.43	18,462	0.06
2007	37,438,500	35,219,727	34,649,500	98.38	307,805	34,957,305	99.25	48,023	0.14
2008	39,965,404	37,769,398	37,245,742	98.61	254,503	37,500,245	99.29	163,955	0.43
2009	41,487,000	39,282,764	38,551,029	98.14		38,551,029	98.14	646,494	1.65

(1) Tax Levy adjusted for HACA in 1999-2001 and market value credit in 2002-2009.

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

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

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

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

Electricity (in millions of Kilowatt Hours) <u>Type of Customer</u>	Fiscal Year									
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Residential	325	328	343	334	327	300	305	303	281	267
General Service	634	641	641	624	609	593	601	608	589	565
Industrial Service	246	307	308	293	286	271	250	243	242	245
Street & Highway Lighting	7	6	7	7	7	7	7	7	7	7
Rental Lights	1	1	1	1	1	1	1	1	1	0
Interdepartmental Service	8	8	9	9	8	8	9	8	8	8
Total KWH	1,221	1,291	1,309	1,268	1,238	1,180	1,173	1,170	1,128	1,092
Total direct rate per Kilowatt Hour	\$ 0.099	\$ 0.092	\$ 0.089	\$ 0.081	\$ 0.073	\$ 0.071	\$ 0.069	\$ 0.069	\$ 0.067	\$ 0.067

Water (in millions of gallons) <u>Type of Customer</u>	Fiscal Year									
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Residential	2,250	2,297	2,379	2,375	2,246	2,058	2,479	2,116	2,134	2,026
Commercial Service	1,549	1,617	1,654	1,594	1,543	1,484	1,579	1,533	1,527	1,466
Industrial Service	518	462	534	575	524	577	525	588	759	812
Interdepartmental Service	85	161	198	136	111	189	82	34	41	42
Total gallons	4,402	4,537	4,765	4,680	4,424	4,308	4,665	4,271	4,461	4,346
Total direct rate per 1,000 gallons	\$ 1.687	\$ 1.655	\$ 1.606	\$ 1.529	\$ 1.474	\$ 1.395	\$ 1.279	\$ 1.259	\$ 1.214	\$ 1.107

Sanitary Sewer (in millions of gallons) <u>Type of Customer</u>	Fiscal Year									
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Residential	1,679	1,640	1,586	1,637	1,622	1,640	1,690	1,653	1,587	1,578
Commercial	1,633	1,787	1,683	1,787	1,703	1,725	1,739	1,807	1,806	1,769
Industrial	835	638	697	722	689	981	982	951	1,086	1,015
Total gallons	4,147	4,065	3,966	4,146	4,014	4,346	4,411	4,411	4,479	4,362
Total direct rate per 1,000 gallons	\$ 3.272	\$ 2.287	\$ 2.096	\$ 1.895	\$ 1.744	\$ 1.673	\$ 1.702	\$ 1.660	\$ 1.620	\$ 1.581

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

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

Governmental Activities

Fiscal Year	Sales Tax Bonds	Sales Tax Notes	Tax Increment Bonds ¹	Equipment Certificates of Indebtedness ¹	Airport Hangar Notes	REDA Lease Revenue Bonds	Energy Improvement Loan	Total Governmental Activities Debt
2000	\$ 27,625,000	\$	\$ 8,419,380		\$ 293,243	\$	\$	\$ 36,337,623
2001	28,383,673		7,444,380		467,287			36,295,340
2002	28,383,673	2,500,000	6,358,611		429,357			37,671,641
2003	10,458,673	2,399,000	5,206,761		371,822			18,436,256
2004	10,458,673	2,295,000	2,603,879		314,287			15,671,839
2005	10,258,673	2,188,000	2,547,435		256,752			15,250,860
2006	7,275,130	2,078,000	2,465,264		458,762		5,715,795	17,992,951
2007		1,965,000	2,378,511		374,832	9,900,000	5,231,245	19,849,588
2008		4,349,000	2,286,921		304,172	16,600,000	4,846,199	28,386,292
2009		4,143,000	10,036,806	815,000	237,776	16,600,000	4,445,206	36,277,788

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

- 1 City issued \$8,035,000 GO Taxable Tax Increment Bonds; \$2,825,000 of GO Revenue Refunding Bonds; \$815,000 of GO Equipment Certificates of Indebtedness and \$6,790,000 of Electric Utility Revenue Notes in 2009
- 2 Includes general bonded debt, other governmental activities debt, blended component unit debt and business-type activities debt.

See Schedule 15 for personal income and population data.

Schedule 10

Business-Type Activities

<u>Electric/Water Revenue Bonds/Notes</u>	<u>Wastewater Utility Bonds¹</u>	<u>Electric Notes Payable</u>	<u>Total Business Activities Debt¹</u>	<u>Total Primary Government Debt²</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$37,290,000	\$ 8,875,000	\$ 600,000	\$ 46,765,000	\$ 83,102,623	2.91%	\$ 968
36,715,000	8,275,000	400,000	45,390,000	81,685,340	2.62%	919
47,390,000	7,620,000	200,000	55,210,000	92,881,641	3.01%	1,018
46,315,000	6,890,000		53,205,000	71,641,256	2.20%	770
45,050,000	89,855,000		134,905,000	150,576,839	4.34%	1,588
49,160,000	89,070,000		138,230,000	153,480,860	4.25%	1,579
48,935,000	87,920,000		136,855,000	154,847,951	4.05%	1,570
92,760,000	136,105,000		228,865,000	248,714,588	6.15%	2,466
90,225,000	134,290,000		224,515,000	252,901,292	5.93%	2,469
94,140,000	131,200,000		225,340,000	261,617,788	N/A	2,502

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

General Bonded Debt Outstanding

Fiscal Year	Sale Tax Bonds and Notes	Tax Increment Bonds	Airport Hangar Notes	Wastewater Utility Bonds	Equipment Certificates of Indebtedness	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2000	\$ 27,625,000	\$ 8,419,380	\$293,243	\$ 8,875,000	\$	\$ 45,212,623	\$ (3,705)	\$ 45,208,918	1.31	\$ 527
2001	28,383,673	7,444,380	467,287	8,275,000		44,570,340	(3,056)	44,567,284	1.15	502
2002	30,883,673	6,358,611	429,357	7,620,000		45,291,641	(3,056)	45,288,585	1.00	496
2003	12,857,673	5,206,761	371,822	6,890,000		25,326,256	(642)	25,325,614	0.49	272
2004	12,753,673	2,603,879	314,287	89,855,000		105,526,839	(549)	105,526,290	1.84	1,113
2005	12,446,673	2,547,435	256,752	89,070,000		104,320,860		104,320,860	1.63	1,073
2006	9,353,130	2,465,264	458,762	87,920,000		100,197,156	(107,469)	100,089,687	1.42	1,015
2007	1,965,000	2,378,511	374,832	136,105,000		140,823,343	(241,256)	140,582,087	1.86	1,394
2008	4,349,000	2,286,921	304,172	134,290,000		141,230,093	(772,422)	140,457,671	1.77	1,371
2009	4,143,000	10,036,806	237,776	131,200,000	815,000	146,432,582	(620,869)	145,811,713	1.73	1,394

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

See Schedule 15 for personal income and population data

See Schedule 5 for estimated market value information

Source: City of Rochester Finance Department

CITY OF ROCHESTER, MINNESOTA
COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT
AND LEGAL DEBT MARGIN
December 31, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Independent School District #531	\$ 29,185,709	0.55%	\$ 160,521
Independent School District #534	12,600,501	11.03%	1,389,835
Independent School District #535	95,538,784	84.15%	80,395,887
Other debt			
Olmsted County	55,878,815	71.12%	39,741,013
Independent School District #534	1,007,047	11.03%	<u>111,077</u>
Subtotal, overlapping debt			121,798,334
City direct debt	36,277,788		<u>36,277,788</u>
Total direct and overlapping debt			<u><u>\$ 158,076,122</u></u>

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

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

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

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

Legal Debt Margin Calculation for the Fiscal Year 2009	
Market Value	\$ 8,591,649
Debt Limit (3% of market value)	<u>257,749</u>
Debt applicable to limit:	
Energy improvement loan	4,445
GO Equipment Certificates	815
Less: Amount set aside for repayment of energy improvement loan	<u>(241)</u>
Total net debt applicable to limit	<u>5,019</u>
Legal debt margin	<u><u>\$ 252,730</u></u>

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Debt limit	\$257,749	\$168,259	\$158,731	\$151,077	\$140,741	\$ 128,387	\$114,957	\$ 103,662	\$ 90,917	\$77,843
Total net debt applicable to limit	<u>5,019</u>	<u>4,540</u>	<u>4,990</u>	<u>5,609</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Legal debt margin	\$252,730	\$163,719	\$153,741	\$145,468	\$140,741	\$ 128,387	\$114,957	\$ 103,662	\$ 90,917	\$77,843
Total net debt applicable to the limit as a percentage of debt limit	1.95%	2.70%	3.14%	3.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Electric Utility Bonds						Water Utility Note					
	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2000	\$	\$	\$	\$	\$	\$						
2001	90,193	82,330	7,864	575	1,913	3						
2002	90,634	81,239	9,395	600	1,887	3.78						
2003	99,091	89,449	9,642	1,075	2,431	2.75						
2004	102,340	91,257	11,083	1,265	2,251	3.15						
2005	112,432	97,047	15,385	1,655	2,414	3.78						
2006	130,723	117,883	12,840	1,750	2,427	3.07	7,748	5,171	2,577		25	103.08
2007	156,772	120,945	35,827	2,335	3,252	6.41	8,274	5,230	3,044	355	72	7.13
2008	147,462	129,655	17,807	2,165	4,202	2.80	8,174	5,248	2,926	370	55	6.88
2009	136,149	120,377	15,772	2,485	4,064	2.41	8,192	5,439	2,753	390	42	6.37
Fiscal Year	Sewer Utility Bonds						Airport T-Hanger Notes					
	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Airport Hangar Rental	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2000	\$ 8,819	\$ 5,025	\$ 3,794	\$ 575	\$ 529	3.44	\$ 39	\$	\$ 39	\$ 36	\$	1.08
2001	9,288	5,416	3,871	625	501	3.44	42		42	36		1.17
2002	9,238	5,076	4,162	655	357	4.11	53		53	43		1.22
2003	9,745	5,866	3,879	730	283	3.83	53		53	58		0.92
2004	9,407	6,000	3,407	770	900	2.04	55		55	58		0.96
2005	10,208	6,587	3,621	785	4,077	0.74	57		57	58		0.99
2006	11,394	6,930	4,464	1,150	4,041	0.86	63		63	62		1.02
2007	13,234	8,354	4,880	1,770	5,634	0.66	65		65	84		0.77
2008	13,647	9,471	4,176	1,815	5,774	0.55	61		61	71		0.86
2009	15,151	8,683	6,468	5,915	5,480	0.57	59		59	66		0.89

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expense, but does include payments to the City's General Fund in lieu of tax, reported as transfers out on Form C-2.

SCHEDULE 15

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

<u>YEAR</u>	<u>POPULATION (1)</u>	<u>PERSONAL INCOME</u> (thousands of dollars)	<u>PER CAPITA PERSONAL INCOME (2)</u>	<u>PUBLIC SCHOOL ENROLLMENT (3)</u>	<u>UNEMPLOYMENT RATE (4)</u>
2000	85,806	\$ 2,855,881	\$ 33,283	15,424	2.8%
2001	88,858	3,119,804	35,110	15,869	2.7
2002	91,264	3,087,370	33,829	15,936	4.0
2003	93,037	3,256,853	35,006	16,010	4.4
2004	94,820	3,472,214	36,619	15,528	4.1
2005	97,191	3,615,311	37,198	15,449	3.5
2006	98,649	3,819,196	38,715	15,868	3.2
2007	100,845	4,045,700	40,118	16,330	4.0
2008	102,437	4,266,296	41,648	16,181	5.4
2009	104,578	N/A	N/A	15,804	6.0

Sources: (1) State Demographers Estimate/2000-Census Bureau
 (2) Bureau of Economic Analysis - Rochester MSA
 (3) Independent School District #535
 (4) Minnesota Department of Jobs & Training

SCHEDULE 16

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

Employer	2008			2000		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment
Mayo Clinic	32,000	1	29.69%	N/A	N/A	N/A
IBM	4,200	2	3.90%	N/A	2	N/A
Rochester Public Schools	2,179	3	2.02%	N/A	3	N/A
Olmsted County	1,201	4	1.11%	N/A	4	N/A
Olmsted Medical Center	1,066	5	0.99%	N/A	5	N/A
Wal-Mart/Sam's Club	960	6	0.89%	N/A	6	N/A
Hy-Vee Food Stores	946	7	0.88%	N/A	7	N/A
City of Rochester	839	8	0.78%	N/A	8	N/A
Charter Communications	691	9	0.64%	N/A	9	N/A
Sunstone Hotel Properties	590	10	0.55%	N/A	10	N/A

(1) Bureau of Economic Analysis -
 Rochester MSA 2008 employment

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

<u>Function</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Mayor and Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
City Administrator	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Development District Administration	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Central Business District Maintenance	1.00	0.67								
City Clerk/Elections/Parking Ticket Coll.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00
Finance	11.00	11.00	11.00	11.00	11.00	10.00	11.00	11.00	11.00	11.00
City Attorney	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00	9.00	9.00
Human Resources	8.00	8.00	7.17	7.00	6.00	6.00	7.00	7.00	6.63	5.50
Information Systems	10.00	10.00	10.00	10.00	9.00	7.00	9.00	9.00	9.00	8.00
Maintenance City Hall	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
General Government	63.00	62.67	61.17	61.00	59.00	55.00	59.00	60.00	57.63	55.50
Police	161.50	156.50	151.00	145.00	141.33	138.00	143.00	139.00	135.00	135.00
Public Safety Communications	25.00	25.00	25.00	26.00	25.00	25.00	25.00	25.00	25.00	22.20
Fire	107.00	107.67	107.00	107.00	104.00	103.58	105.00	105.00	100.00	95.00
Building Safety	26.00	26.00	26.00	26.00	26.00	25.00	25.00	25.00	22.00	20.00
Animal Control	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Flood Control Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public Safety	325.50	321.17	315.00	309.00	301.33	296.58	303.00	299.00	287.00	275.20
Engineering	36.00	35.83	35.00	35.00	33.00	33.00	37.00	37.50	36.50	34.50
Traffic	9.00	9.00	9.00	10.00	8.00	8.00	9.00	10.00	9.00	9.00
Street and Alley	45.00	45.00	44.25	44.00	43.75	41.00	44.00	42.00	41.00	40.00
Public Works	90.00	89.83	88.25	89.00	84.75	82.00	90.00	89.50	86.50	83.50
Music	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00
Library	52.75	52.58	51.75	51.75	50.25	50.25	51.00	50.50	48.00	47.00
Total Culture	56.75	56.58	55.75	55.75	54.25	54.25	55.00	54.50	52.00	50.00
Park & Recreation Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Recreation	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Golf	12.00	12.00	11.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00
Tennis Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Volleyball Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Graham Arenas	3.00	2.83	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.00
Parks	28.00	28.00	28.00	28.00	28.00	26.75	28.00	26.50	26.50	27.00
Recreation Center	6.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Mayo Civic Center	15.00	13.83	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00
Parks and Recreation	73.00	71.66	69.00	69.00	69.00	67.75	71.00	69.00	69.00	68.00
Total Governmental Activities	608.25	601.91	589.17	583.75	568.33	555.58	578.00	572.00	552.13	532.20
Parking Administration/Operations	4.00	4.00	4.00	4.00	4.00	5.00	4.00	4.00	4.00	4.00
Electric Utility	189.00	186.00	181.00	181.00	176.00	172.00	172.00	170.00	164.00	165.00
Water Utility	19.00	19.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	19.00
Sewer Utility	38.00	38.00	37.50	36.00	37.00	37.00	36.00	36.50	36.50	34.50
Storm Water Utility	6.00	6.00	6.00	6.00	5.00	5.00				
Total Business Activities	256.00	253.00	248.50	247.00	242.00	239.00	232.00	230.50	223.50	222.50
Totals for Organization	864.25	854.91	837.67	830.75	810.33	794.58	810.00	802.50	775.63	754.70

Source: City's Adopted Budgets

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

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Part I crimes	3,117	3,183	2,835	2,826	2,743	2,873	3,282	3,023	3,483	2,612
Part II crimes	4,160	4,143	4,037	3,903	3,813	4,049	4,331	4,425	4,322	3,866
Arrests	3,857	3,757	3,692	3,350	3,646	4,089	4,492	4,425	4,220	4,641
Fire										
Total emergency responses	7,585	7,719	7,542	6,661	6,543	6,124	5,648	5,669	5,728	4,951
EMS responses	4,935	5,096	4,449	4,481	3,871	3,486	3,136	3,340	3,597	3,414
Fire responses	200	232	283	268	200	245	284	233	245	336
Public Works										
Streets resurfaced (miles)	16.5	17	7	20	27	30	27	45	31	31
Residential snow plowing (miles)	5,500	4,320	4,320	4,010	4,050	4,000	3,900	3,975	4,000	3,950
Airport										
Airline passengers	257,426	297,857	319,233	296,889	283,113	277,504	278,990	298,500	295,619	310,164
Air cargo (millions of pounds)	17.00	18.43	29.07	28.90	29.60	34.20	31.50	27.50	25.00	23.50
Transit										
Passengers (millions)	1.62	1.77	1.55	1.43	1.43	1.17	1.20	1.21	1.17	1.05
Route miles (thousands)	1,167	1,084	990	953	940	970	951	903	882	782
Library										
Annual circulation (millions)	1.60	1.60	1.51	1.47	1.48	1.40	1.38	1.23	1.14	1.07
Park & Recreation										
Rounds of golf played	98,525	96,905	91,484	105,076	90,298	136,000	132,000	136,000	132,000	140,963
Hours of arena ice rentals	8,000	8,000	8,000	2,810	2,900	2,695	2,900	2,695	2,860	2,825
Civic center event-days	1,353	1,480	1,203	1,279	1,348	1,337	1,002	1,301	1,630	2,521
Electric Utility										
Number of customers	47,675	47,407	46,954	46,433	45,586	44,545	43,359	42,295	41,150	39,356
Average daily consumption (megawatt hours)	3,345	3,537	3,584	3,470	3,393	3,232	3,214	3,206	3,093	3,028
Water Utility										
Number of customers	36,732	36,413	36,070	35,527	34,761	33,756	32,721	31,629	30,504	29,256
Average daily consumption (millions of gallons)	12.06	12.43	13.05	12.80	12.12	11.80	12.78	11.70	12.22	11.91
Sanitary Sewer Utility										
Gallons of wastewater treated annually (millions of gallons)	4,836	4,847	5,030	4,904	4,914	5,333	4,805	5,006	4,721	4,475

Sources: Various City Department's annual budget workload measurements

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

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	5	4	4	4	4	4	4	4	3
Public Works										
Streets (miles)	511	507	502	500	483	468	456	440	425	410
Intersections w/traffic signals	142	139	137	139	141	133	130	127	127	123
Street lights	9,180	9,085	9,045	8,814	8,299	7,667	7,606	7,329	6,989	6,791
Storm sewer (miles)	266	264	262	261	254	228	215	202	179	172
Airport										
9,033' x 150' No./So. runway	1	1	1	1	1					
7,533' x 150' No./So.runway						1	1	1	1	1
7,300' x 150' E/W runway	1	1	1	1	1	1	1	1	1	1
Transit										
Transit buses	44	44	44	56	56	46	43	35	35	30
Bus shelters	62	60	60	60	60	60	59	59	59	53
Library										
Holdings (thousands)	454	438	429	435	439	401	370	355	343	337
Park & Recreation										
Acres of parkland	3,603	3,093	3,060	3,045	3,030	3,015	3,107	2,915	2,867	2,647
Number of parks	104	103	101	99	96	94	92	80	77	73
Number of golf courses	4	4	4	4	4	4	4	4	4	4
Electric Utility										
Miles of distribution line	726	717	709	697	678	679	652	631	598	575
Water Utility										
Miles of watermain	567	566	562	557	543	528	487	491	441	424
Number of fire hydrants	6,726	6,693	6,598	6,554	6,361	6,189	5,823	5,610	5,342	5,121
Sanitary Sewer Utility										
Miles of sanitary sewer	470	467	467	466	456	455	436	394	361	349
Treatment capacity (thousands of gallons)	23,850	23,850	23,850	19,100	19,100	19,100	19,100	19,100	19,100	19,100
Area of City (square miles)	54.67	53.41	51.89	51.44	50.90	49.26	48.87	46.50	43.40	43.09

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

