

CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

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, 2008

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CITY OF ROCHESTER, MINNESOTA
INTRODUCTORY SECTION
DECEMBER 31, 2008

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ROCHESTER

Minnesota



June 15, 2009

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, 2008.

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, 2008, 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, 2008, 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 53.41 square miles and serves a population of 102,437. 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. Transfers of appropriations between funds, however, require the special approval 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 2009 have shown a small decrease of 639 jobs since the first quarter of 2008. This reflects the first 12 month decrease in over 14 years. Total employment had dropped for the year to 103,831, however did reflect a small increase of 126 jobs from the previous month. Job losses in the goods producing sector were nearly erased by gains in the education and health services sector.
- **Unemployment.** Rochester's unemployment rate increased to 7.3 percent by the end of March 2009, up from 4.6 percent one year ago. While a significant increase, Rochester remains below the state and U.S. averages of 8.9 and 9.0 percent respectively. The average unemployment rate for Rochester over the past 12 months was 5.2% compared to the previous year average of 3.9%.
- **Home Sales.** Home sales for the first quarter of 2009 fell to \$45.9 million from \$64.3 million the year before, representing a decline of 28.6% from the prior year. The average home remains on the market in the Rochester area for 131 days. Mortgage rates continue to remain low.
- **Building Activity.** First quarter 2009 commercial and residential building permits totaled over \$48.8 million. This was a decrease of 35% from the same quarter in 2008 (\$75.0 million).

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:

- **Electric Utility Improvements.** Our electric utility is part of the "CapX2020" (Capacity expansion 2020) initiative of area utilities whose goal is to expand the electric transmission grid. If approved, the 150-mile power line would run from a new substation near Hampton, just south of the Twin Cities, to the area north of Rochester and then on to La Crosse, Wisconsin. We expect a ruling on the certificate of need in 2009 at which time we would finish design of our connection to this high-voltage line. This line will provide outage protection and additional electricity for community growth in the future.

CITY OF ROCHESTER, MINNESOTA

Long-term financial planning (continued).

- Joint Maintenance Facility. 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. Council has approved the ground work bid package for the newly-acquired 20-acre site. Current plans are for ground work and footings to be complete on this estimated \$48 million joint street and transit maintenance facility during the 2009 construction season. Move-in is slated for the end of 2010 or early 2011.
- Mayo Civic Center Expansion. The City is in 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 and the City just received legislative approval for a new local food and beverage tax that would fund the City's planned ½ share of the estimated \$75 million expansion. 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.
- Cascade Lake 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. 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.
- Downtown Development. The Rochester Downtown Alliance and the City's development department are working on a number of developments in the downtown. Fit-up is underway in the new 9-story Bioscience Building just constructed by the City's Economic Development Authority. A \$9 million expansion of the City's 1st Avenue Parking Ramp is also nearly complete to support the new facility. An expansion and support of the expanding downtown campus of the University of Minnesota is expected for this summer with the construction of a nine-story student residence facility and expanded classroom space.

Cash management policies and practices. Cash temporarily idle during the year was invested in short-term government money market accounts, commercial paper, obligations of the U.S. Treasury and its agencies, and municipal bonds. The maturities of the investments range from 5 days to 27 years with an average maturity of 1.35 years. Investment income includes appreciation or depreciation in the fair value of investments. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

CITY OF ROCHESTER, MINNESOTA

Risk management. The City maintains a self-insurance program for employee group health coverage and workers' compensation and a high deductible policy on property and casualty coverage. The group health program is limited to losses of \$225,000 per claim with a variable annual aggregate, and the 2008 workers' compensation exposure is limited to \$820,000 per occurrence, both through the use of stop-loss policies. The City's general and auto liability policies retain a \$200,000 aggregate deductible exposure with a \$1,200,000 statutory limit of coverage. The City recognizes a liability on individual claims when a claim is probable and the amount can be reasonably estimated. In addition the City recognizes an estimated liability on claims that have been incurred but not reported. The workers' compensation premium charged to the departmental budgets for 2008 was a factor of 0.30 of the Workers' Compensation Reinsurance Association adjusted pure premium exposure base rate.

Health coverage premiums were increased 5 percent in 2008 and 0 percent for 2009 as the self insurance fund finally began to build up some reserves after a few years of high claims and the continued increases in general health care costs. Dental premiums were increased 8% in 2008 and 9% in 2009 as the total dental benefit maximum was increased for employees. Premiums still remain about average in the market for comparable coverage. Additional information on the City's risk management activity can be found in Note 4:A. of the notes to the financial statements.

Pension. Substantially all employees of the City of Rochester are covered by a statewide defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Employees participated in one of the following plans during 2008:

- Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer plan
- Public Employees Police and Fire Fund (PEPFF), a cost-sharing multiple-employer plan

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers qualifying for membership by statute are covered by the PEPFF. Additional information on the City's pension benefits can be found in Note 4:E. of the notes to the financial statements.

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, 2007. 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, 2007

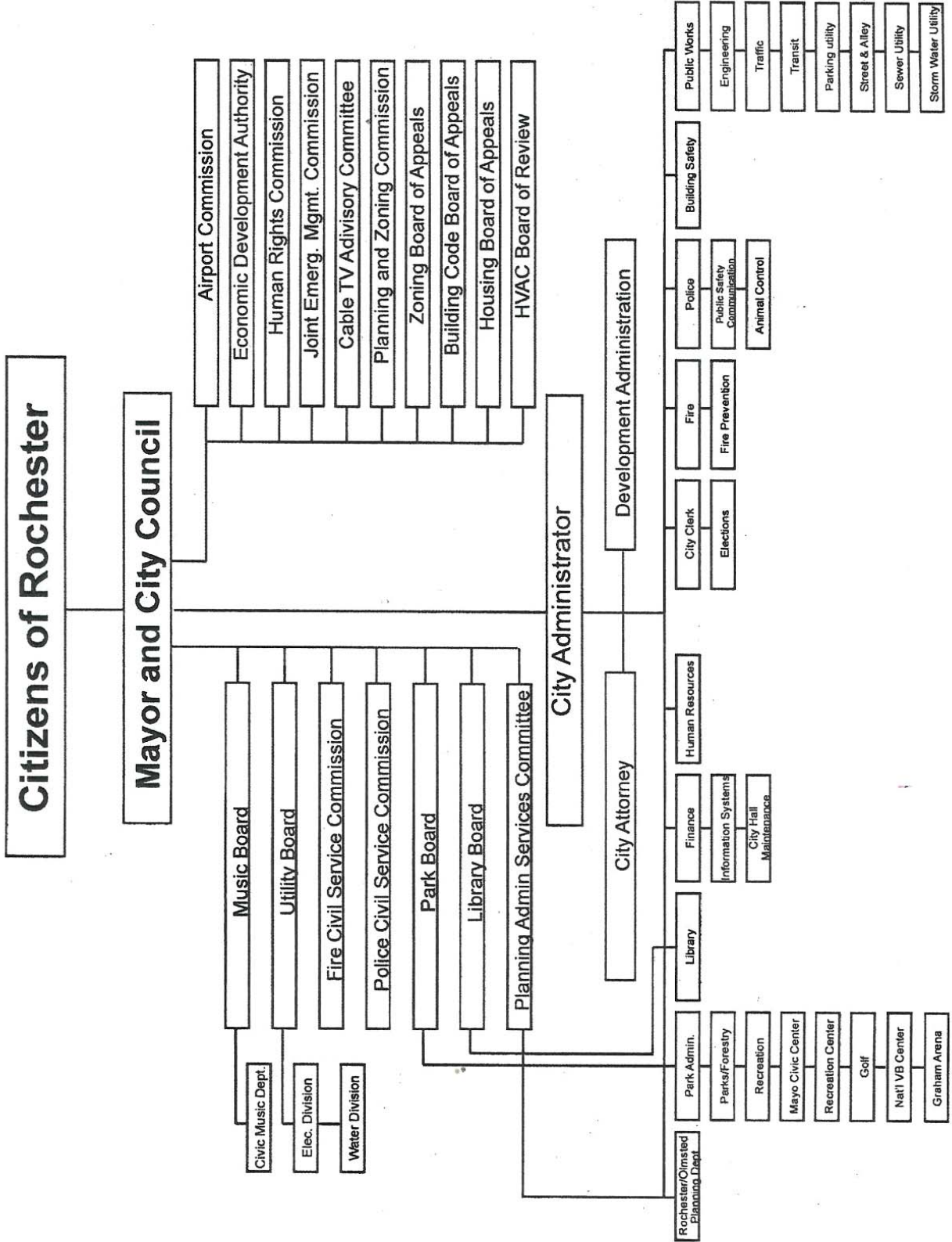
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

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, Marcia Marcoux	1996	2008
Councilmember Third Ward, Bruce Snyder	2006	2010
Councilmember Fourth Ward, Pat Carr	1994	2008
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

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CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2008

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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, 2008, 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 2007 financial statements and, in our report dated May 20, 2008, 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, 2008, 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 15, 2009, 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 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 15, 2009

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, 2008, with comparative data for the fiscal year ended December 31, 2007. 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 \$1,034,441,748 (*net assets*). Of this amount, \$176,283,233 (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 \$34,972,330.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$113,291,248. Approximately 55.7 percent of this total amount, or \$63,150,089, 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 \$19,434,360 representing 34.7 percent of total general fund expenditures.
- The City of Rochester increased total outstanding long term debt obligations by \$4,719,828 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 sixteen 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 fourteen 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 \$1,034,441,748 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net assets (79 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 172,344,561	\$ 177,106,767	\$ 120,541,903	\$ 150,065,774	\$ 292,886,464	\$ 327,172,541
Capital assets	499,950,113	470,089,689	541,944,385	504,135,958	1,041,894,498	974,225,647
Total assets	<u>672,294,674</u>	<u>647,196,456</u>	<u>662,486,288</u>	<u>654,201,732</u>	<u>1,334,780,962</u>	<u>1,301,398,188</u>
Long-term liabilities						
outstanding	37,647,685	28,236,274	233,564,470	238,256,052	271,212,155	266,492,326
Other liabilities	11,396,748	18,572,786	17,730,311	16,863,658	29,127,059	35,436,444
Total liabilities	<u>49,044,433</u>	<u>46,809,060</u>	<u>251,294,781</u>	<u>255,119,710</u>	<u>300,339,214</u>	<u>301,928,770</u>
Net assets:						
Invested in capital assets,						
net of related debt	471,635,637	450,288,207	344,902,226	327,640,171	816,537,863	777,928,378
Restricted	41,620,652	34,132,247		2,132,585	41,620,652	36,264,832
Unrestricted	109,993,952	115,966,942	66,289,281	69,309,266	176,283,233	185,276,208
Total net assets	<u>\$ 623,250,241</u>	<u>\$ 600,387,396</u>	<u>\$ 411,191,507</u>	<u>\$ 399,082,022</u>	<u>\$ 1,034,441,748</u>	<u>\$ 999,469,418</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* (\$176,283,233) 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 \$22,862,845. Most of this increase can be found in the capital grants and contributions (primarily a bioscience center grant plus street and storm water contributions). This and the somewhat lower than expected expenditures 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 \$12,109,485. 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.

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

A condensed version of the Statement of Activities follows:

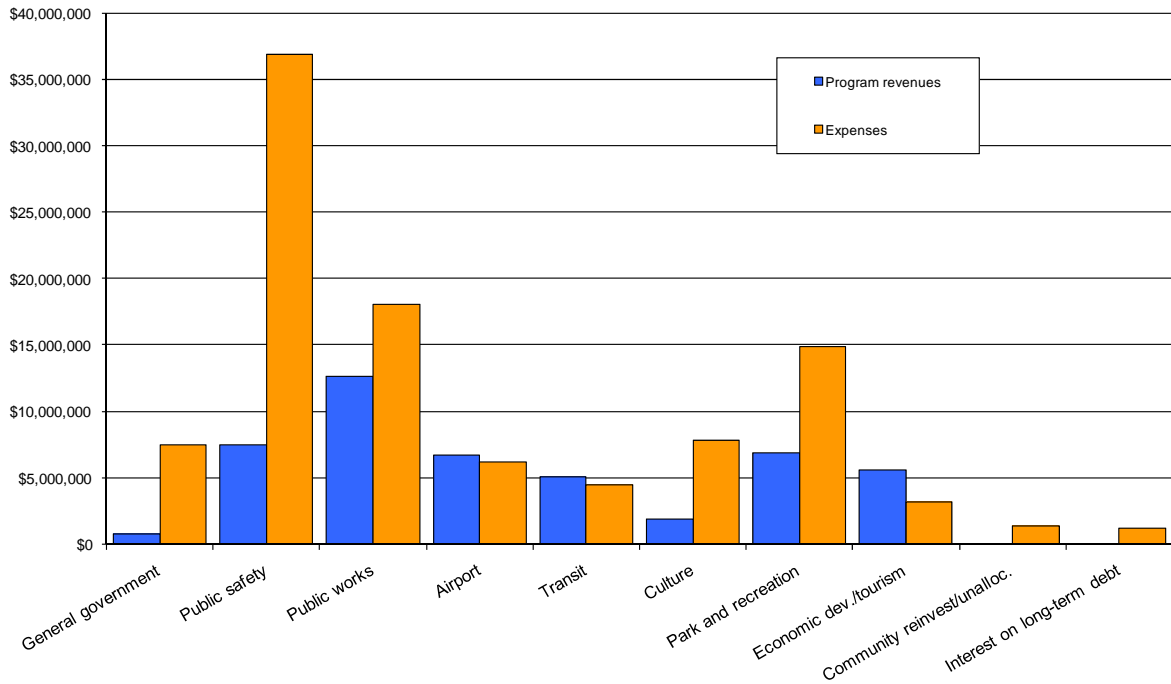
City of Rochester's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenues:						
Charges for services	\$ 16,489,916	\$ 15,215,322	\$ 177,388,713	\$ 185,942,759	\$ 193,878,629	\$ 201,158,081
Operating grants and contributions	7,249,392	6,857,250			7,249,392	6,857,250
Capital grants and contributions	23,341,029	23,698,012	5,123,882	2,066,552	28,464,911	25,764,564
General revenues:						
Property taxes	37,734,057	35,000,100			37,734,057	35,000,100
Other taxes	15,958,286	15,705,069			15,958,286	15,705,069
Grants and contributions not restricted to specific programs	7,128,314	7,805,835	124,105	480,253	7,252,419	8,286,088
Other	9,685,630	11,252,697	4,519,097	5,896,820	14,204,727	17,149,517
Total revenues	<u>117,586,624</u>	<u>115,534,285</u>	<u>187,155,797</u>	<u>194,386,384</u>	<u>304,742,421</u>	<u>309,920,669</u>
Expenses:						
General government	7,474,607	6,878,399			7,474,607	6,878,399
Public safety	36,879,979	33,168,820			36,879,979	33,168,820
Public works	18,064,883	18,210,209			18,064,883	18,210,209
Airport	6,204,997	5,432,334			6,204,997	5,432,334
Transit	4,463,679	3,500,207			4,463,679	3,500,207
Culture	7,830,377	7,023,517			7,830,377	7,023,517
Park and recreation	14,899,915	13,505,054			14,899,915	13,505,054
Economic development/tourism	3,168,068	8,367,880			3,168,068	8,367,880
Community reinvestment/unallocated	1,351,984	350,641			1,351,984	350,641
Interest on long-term debt	1,194,906	747,424			1,194,906	747,424
Parking			3,520,547	3,327,342	3,520,547	3,327,342
Electric			132,989,378	138,769,304	132,989,378	138,769,304
Water			6,950,672	6,921,476	6,950,672	6,921,476
Sewer			21,923,523	16,546,960	21,923,523	16,546,960
Storm water			2,852,576	2,809,129	2,852,576	2,809,129
Total expenses	<u>101,533,395</u>	<u>97,184,485</u>	<u>168,236,696</u>	<u>168,374,211</u>	<u>269,770,091</u>	<u>265,558,696</u>
Increase in net assets before transfers	16,053,229	18,349,800	18,919,101	26,012,173	34,972,330	44,361,973
Transfers	6,809,616	1,830,010	(6,809,616)	(1,830,010)		
Increase in net assets	22,862,845	20,179,810	12,109,485	24,182,163	34,972,330	44,361,973
Net assets, beginning of year	600,387,396	580,207,586	399,082,022	374,899,859	999,469,418	955,107,445
Net assets, end of year	<u>\$ 623,250,241</u>	<u>\$ 600,387,396</u>	<u>\$ 411,191,507</u>	<u>\$ 399,082,022</u>	<u>\$ 1,034,441,748</u>	<u>\$ 999,469,418</u>

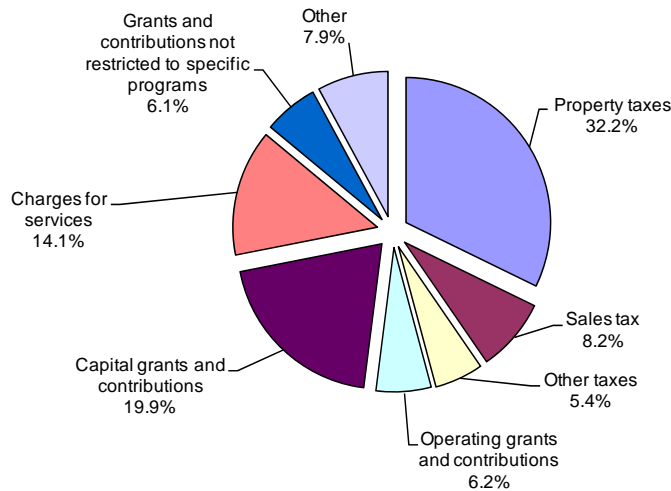
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



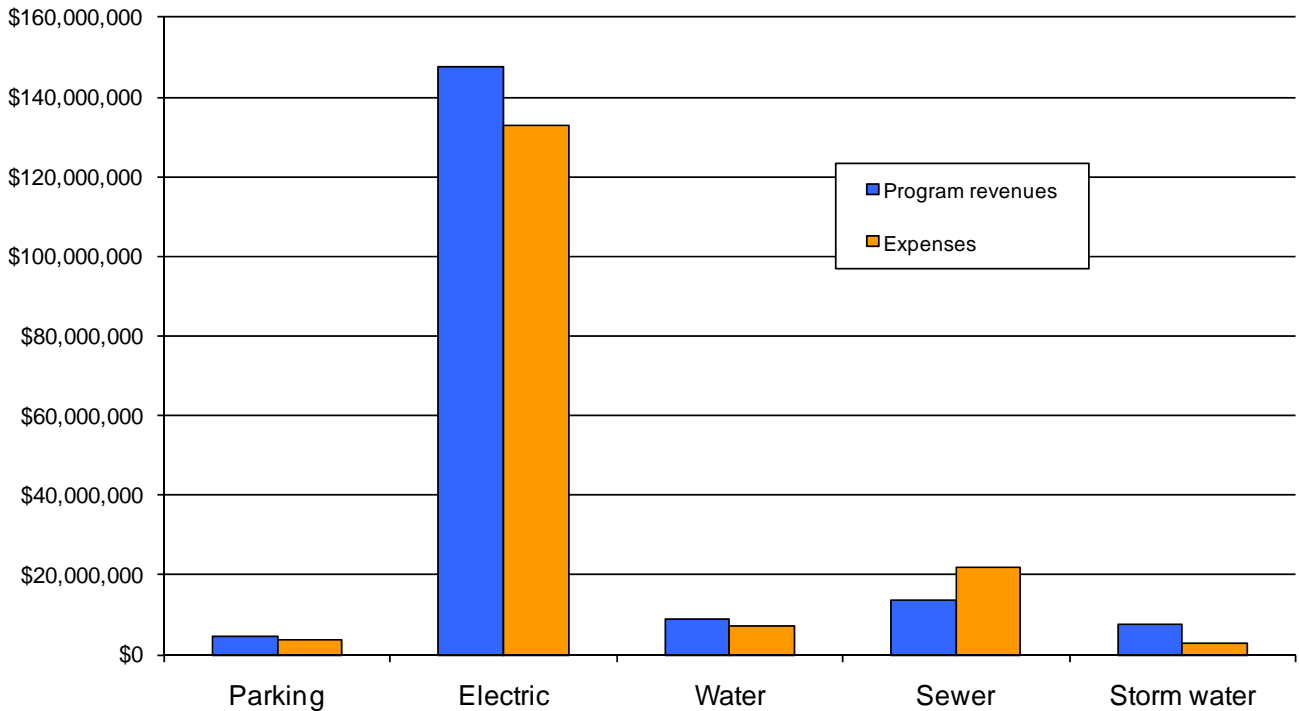
Revenues by Source - Governmental Activities



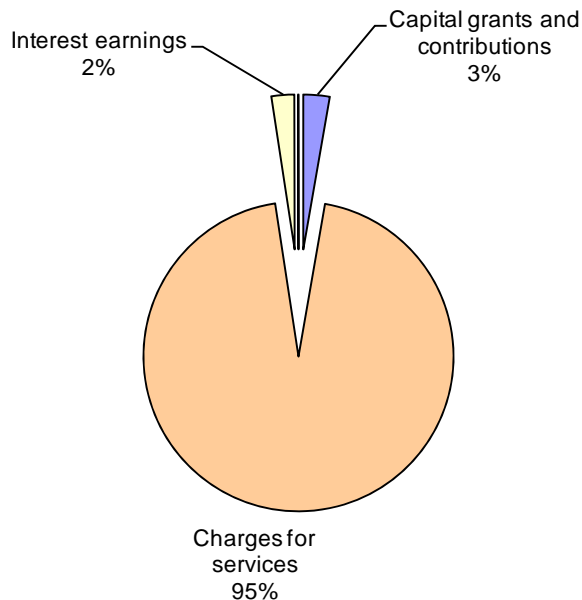
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$113,291,248, a decrease of \$2,413,189 from the prior year primarily due to a net loss in the general fund stemming from an end-of-year reduction of \$1.9 million in pledged local government aid from the State of Minnesota. The remainder reflects use of reserves in the construction of capital assets. Approximately 55.7 percent of the total fund balance, or \$63,150,089, 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 (\$15,489,413), 2) to repay interfund advances or other debt (\$1,465,639), or 3) to fund specific capital projects or programs as obligated by statute or other regulation (\$33,041,715).

The general fund is the chief operating fund of the City of Rochester. At the end of the current fiscal year, unreserved fund balance of the general fund was \$19,434,360 while total fund balance amounted to \$20,042,183. 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 34.7 percent of total general fund expenditures, while total fund balance represents 35.8 percent of that same amount.

The general fund decreased its fund balance by \$1,671,798 during the year which primarily reflects the afore-mentioned year-end local government aid reduction. License and permits were also below anticipated levels but these shortfalls were offset somewhat by lower than anticipated expenditures in police and information systems due to open positions and some delays in filling open positions.

The library fund increased its fund balance by \$152,949 for the year after transferring \$23,595 to the capital projects fund for future equipment purchases. The municipal recreation fund increased its fund balance by \$337,657 after higher than expected activity revenues and improved cost control in the golf program. The airport fund increased its total fund balance by \$681,057 for the year to \$5,283,306. This increase was a result of increased rental and landing charges as well as better than anticipated investment activity. The transit fund saw a decrease in fund balance of \$319,858 after balanced operations, but reflecting a reserve transfer to fund the local share of new buses.

Debt service fund balances decreased by \$52,409 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 \$1.9 million as bond proceeds were used to fund approved projects.

**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 - \$10,992,753 Electric - \$37,685,285, Water - \$4,535,124, Sewer - \$10,030,218 and Storm water - \$422,519. With the exception of the Parking Enterprise and 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 and will regain this equity when the project is completed and capitalized. The Sewer Utility similarly transferred out nearly \$1.6 million in equity to construction improvements capital projects fund and reflected a \$1 million reduction in net assets for the year.

The water utility's rates were not increased during 2008 and water usage was down slightly due to the cooler and wetter summer. Total water revenues were down 1.2%, or approximately \$100,000 for the year.

The sewer utility's rates were adjusted 8.5 percent effective January of 2008 and another 8.5 percent in 2009 based upon an update to the service costing study completed during 2005. 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. These are the last of scheduled increases in the current ordinance but an update to the 2005 rate study is currently underway. Sewer flows were below plan as housing starts were down and continued water usage efficiency gains reduce sewer usage. We anticipate further rate increases to keep pace with operations and existing debt obligations.

The electric utility rates were increased a total of 8 percent during 2007 and another 4 percent effective February 2008 as the wholesale cost of purchased power continues to climb.

Parking rates were adjusted a flat \$4 per month for most monthly ramp customer classes effective January of 2008 and between \$3 and \$10 per month effective January of 2009. Parking meter rates were adjusted by 5 cents to 20 cents per hour in January of 2009 based upon duration of the metered location.

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.

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

General Fund Budgetary Highlights

The City approved the 2008 general fund budget anticipating a "balanced budget" or slight growth in fund balance.

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

- Increase in revenues due to various appropriations not anticipated at budget time.
- Increase in the Mayor and Council, City Attorney, Police, Fire and Street and Alley Department budgets to cover unplanned expenditures for legal consultants, appropriations for private security contracting with City police officers, grant appropriations, additional bituminous overlays and payouts of accrued compensation to retiring employees.

At the close of the year, general fund total expenditures were \$1,576,532 below final budget while actual revenues fell short of the final budget by \$1,844,413. Much of the lower expenses can be traced to a delay in hiring of approved positions in police and information systems, greater charge-back of engineering costs to projects, and remaining contingency budget. The lower than expected revenues are primarily the result of reduced building permit revenues and the above-noted unallotment of pledged local government aid from the State of Minnesota.

**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, 2008, amounts to \$1,041,894,498 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Rochester's reported investment in capital assets for the current fiscal year was \$67,668,851, or 7 percent. This increase was fairly evenly split between governmental and business activities with just under \$30 million increase in governmental activities and \$37 million in business activities. Within the governmental activities, increase occurred with land purchased for the joint maintenance facility, street network additions, and construction in progress on the Bio Business Center. 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		Business-Type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 57,158,575	\$ 50,967,192	\$ 12,409,143	\$ 12,610,541	\$ 69,567,718	\$ 63,577,733
Buildings	79,847,244	78,653,931	237,327,066	210,681,407	317,174,310	289,335,338
Improvements other than buildings	24,641,706	23,925,600			24,641,706	23,925,600
Machinery and equipment	24,104,461	24,615,108	224,492,079	223,224,179	248,596,540	247,839,287
Infrastructure	255,112,390	243,309,284			255,112,390	243,309,284
Construction in progress	59,085,737	48,618,574	67,716,097	57,619,831	126,801,834	106,238,405
Total	<u>\$ 499,950,113</u>	<u>\$ 470,089,689</u>	<u>\$ 541,944,385</u>	<u>\$ 504,135,958</u>	<u>\$ 1,041,894,498</u>	<u>\$ 974,225,647</u>

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

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$253,351,896 in bonds and notes outstanding. Of this amount, \$140,925,921 comprises debt backed by the full faith and credit of the government, \$107,129,172 represents bonds and notes secured solely by specified revenue sources and \$4,846,199 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			
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 2,286,921	\$ 2,378,511	\$	\$	\$ 2,286,921	\$ 2,378,511
General obligation revenue bonds			134,290,000	136,105,000	134,290,000	136,105,000
General obligation revenue notes	4,349,000	1,965,000			4,349,000	1,965,000
Revenue bonds	16,600,000	9,900,000	85,285,000	86,980,000	101,885,000	96,880,000
Notes payable	304,172	374,833	4,940,000	5,780,000	5,244,172	6,154,833
Energy loan payable	4,846,199	5,231,244			4,846,199	5,231,244
Capital Lease			450,604	663,703	450,604	663,703
Total	<u>\$ 28,386,292</u>	<u>\$ 19,849,588</u>	<u>\$ 224,965,604</u>	<u>\$ 229,528,703</u>	<u>\$ 253,351,896</u>	<u>\$ 249,378,291</u>

The City of Rochester's total bonds and notes payable increased by \$3,973,605 during the current fiscal year. In January of 2008, the City's Economic Development Authority issued \$6,700,000 in Lease Revenue Bonds for the Bio Business Center construction.

The City also issued a \$2,500,000 G.O. Sales Tax Revenue Note in December of 2008 through the Minnesota Public Facilities Authority for phase II of the 50th Avenue NW construction.

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:G., beginning on page 57.

In March of 2009, a final \$8,035,000 was issued for the Bio Business Center project in the form of a City GO taxable tax increment bond.

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 increased to 7.3 percent by the end of March 2009, up from 4.6 percent one year ago. While a significant increase, Rochester remains below the state and U.S. averages of 8.9 and 9.0 percent respectively. The average unemployment rate for Rochester over the past 12 months was 5.2% compared to the previous year average of 3.9%. Total employment over the last 12 months ending March of 2009 has shown a decrease of 639 jobs, or 0.6%. This is the first year over year decline for Rochester in 14 years.

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

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

- Though commercial construction had continued to expand and defied the national trend in 2007, it followed suit during 2008 and declined along with residential during 2008 and the beginning of 2009. Commercial and residential permits for the first quarter of 2009 totaled \$48,794,139, but were down 45% from the same quarter one year ago.
- Property tax reforms at the state level continue to impact government aid payments made to the City. Rochester has sustained state aid reductions of nearly \$5.5 million, or 41 percent, since 2002. Most recently, the governor unallotted 1.9 million in state aid funds in the last weeks of the fiscal year. Legislative impasse on the State's 2.6 billion budget shortfall has currently put us in the place of awaiting the governor's further unallotment plans. Tentative reduction plans have already been submitted to the City Administrator by the department heads.
- 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.
- Interest rates have decreased in 2008, making future average 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 2009 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 2009 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, 2008

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2008
With Comparative Totals as of December 31, 2007

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
ASSETS				
Cash and cash equivalents	\$ 6,694,374	\$ 32,654,218	\$ 39,348,592	\$ 36,669,503
Investments	136,967,380	17,646,900	154,614,280	167,160,604
Receivables (net of allowance for uncollectibles)	25,526,408	8,718,393	34,244,801	35,571,065
Internal balances	(2,144,961)	2,144,961		
Due from other governmental units	5,017,255	33,952	5,051,207	8,594,178
Accrued utility revenues		3,060,872	3,060,872	3,777,452
Restricted and reserved cash and investments	29,273	38,120,181	38,149,454	58,518,277
Restricted assets				2,132,585
Inventory	139,713	15,976,335	16,116,048	12,974,010
Prepaid items	115,119	228,191	343,310	119,300
Deferred charges and other assets		1,957,900	1,957,900	1,655,567
Capital assets:				
Nondepreciable	116,244,312	80,125,240	196,369,552	169,816,138
Depreciable, net	383,705,801	461,819,145	845,524,946	804,409,509
Total Assets	<u>672,294,674</u>	<u>662,486,288</u>	<u>1,334,780,962</u>	<u>1,301,398,188</u>
LIABILITIES				
Accounts and contracts payable	2,736,486	12,268,962	15,005,448	15,775,206
Deposits payable	1,453,484	563,102	2,016,586	1,732,599
Accrued interest payable	454,641	2,122,815	2,577,456	2,254,248
Accrued compensation and payroll taxes	1,802,992	669,835	2,472,827	2,157,524
Accrued claims	1,648,799	93,000	1,741,799	2,448,640
Due to other governmental units	3,300,346	499,219	3,799,565	9,873,731
Unearned revenue		1,513,378	1,513,378	1,194,496
Noncurrent liabilities:				
Due within one year	5,883,390	6,516,882	12,400,272	11,652,635
Due in more than one year	31,764,295	227,047,588	258,811,883	254,839,691
Total Liabilities	<u>49,044,433</u>	<u>251,294,781</u>	<u>300,339,214</u>	<u>301,928,770</u>
NET ASSETS				
Invested in capital assets, net of related debt	471,635,637	344,902,226	816,537,863	777,928,378
Restricted for:				
Airport	7,091,358		7,091,358	6,905,797
CDBG loans	3,266,358		3,266,358	3,050,496
Civic music endowment	29,273		29,273	39,466
Service territory acquisitions				2,132,585
Flood control	26,544,612		26,544,612	22,898,746
Sales tax authorized projects	4,689,051		4,689,051	1,237,742
Unrestricted	<u>109,993,952</u>	<u>66,289,281</u>	<u>176,283,233</u>	<u>185,276,208</u>
Total Net Assets	<u>\$ 623,250,241</u>	<u>\$ 411,191,507</u>	<u>\$ 1,034,441,748</u>	<u>\$ 999,469,418</u>

See Notes to the Financial Statements

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

For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

<u>Functions/Programs</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,474,607	\$ 471,410	\$ 41,569	\$ 300,219
Public safety	36,879,979	5,448,286	1,774,344	221,007
Public works	18,064,883	230,585	84,723	12,350,735
Airport	6,204,997	2,934,276	246,109	3,528,031
Transit	4,463,679	663,088	3,153,108	1,259,020
Culture	7,830,377	394,469	1,473,128	26,500
Park and recreation	14,899,915	6,221,588	476,411	175,322
Economic development/tourism	3,168,068	126,214		5,480,195
Community reinvestment/unallocated	1,351,984			
Interest on long-term debt	1,194,906			
Total governmental activities	<u>101,533,395</u>	<u>16,489,916</u>	<u>7,249,392</u>	<u>23,341,029</u>
Business-Type activities:				
Parking	3,520,547	4,512,354		
Electric utility	132,989,378	147,462,166		2,708
Water utility	6,950,672	8,174,118		916,869
Sewer utility	21,923,523	13,646,680		70,131
Storm water utility	2,852,576	3,593,395		4,134,174
Total business-type activities	<u>168,236,696</u>	<u>177,388,713</u>		<u>5,123,882</u>
Total	<u>\$ 269,770,091</u>	<u>\$ 193,878,629</u>	<u>\$ 7,249,392</u>	<u>\$ 28,464,911</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 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	
		2008	2007
\$ (6,661,409)		\$ (6,661,409)	\$ (6,344,200)
(29,436,342)		(29,436,342)	(25,287,471)
(5,398,840)		(5,398,840)	(11,560,453)
503,419		503,419	2,067,970
611,537		611,537	312,525
(5,936,280)		(5,936,280)	2,053,613
(8,026,594)		(8,026,594)	(6,862,036)
2,438,341		2,438,341	(4,695,784)
(1,351,984)		(1,351,984)	(350,641)
(1,194,906)		(1,194,906)	(747,424)
<u>(54,453,058)</u>		<u>(54,453,058)</u>	<u>(51,413,901)</u>
	\$ 991,807	991,807	864,455
	14,475,496	14,475,496	18,137,827
	2,140,315	2,140,315	2,210,517
	(8,206,712)	(8,206,712)	(3,117,597)
	<u>4,874,993</u>	<u>4,874,993</u>	<u>1,539,898</u>
	14,275,899	14,275,899	19,635,100
<u>(54,453,058)</u>	<u>14,275,899</u>	<u>(40,177,159)</u>	<u>(31,778,801)</u>
37,734,057		37,734,057	35,000,100
1,590,432		1,590,432	1,299,451
9,594,526		9,594,526	9,720,049
4,773,328		4,773,328	4,685,569
7,128,314	124,105	7,252,419	8,286,088
6,132,448	4,435,397	10,567,845	12,373,002
401,516		401,516	1,719,959
2,807,423	303,115	3,110,538	3,539,134
344,243	(219,415)	124,828	(482,578)
6,809,616	(6,809,616)		
<u>77,315,903</u>	<u>(2,166,414)</u>	<u>75,149,489</u>	<u>76,140,774</u>
22,862,845	12,109,485	34,972,330	44,361,973
<u>600,387,396</u>	<u>399,082,022</u>	<u>999,469,418</u>	<u>955,107,445</u>
<u>\$ 623,250,241</u>	<u>\$ 411,191,507</u>	<u>\$ 1,034,441,748</u>	<u>\$ 999,469,418</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

December 31, 2008

With Comparative Totals as of December 31, 2007

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2008	2007
ASSETS					
Cash and cash equivalents	\$ 5,239,337	\$	\$ 1,079,062	\$ 6,318,399	\$ 8,218,148
Investments	14,817,715	81,203,865	9,150,000	105,171,580	109,586,604
Accrued interest receivable	571,981	635,300	70,800	1,278,081	1,473,837
Accounts receivable (net of allowance for uncollectibles)	543,920	2,001,593	1,308,456	3,853,969	2,728,419
Loans receivable		1,867,962	3,266,358	5,134,320	4,879,869
Taxes receivable delinquent	365,377	80,476	175,439	621,292	549,670
Special assessments receivable:					
Deferred		13,181,117		13,181,117	14,088,925
Delinquent	3,641	902,225	4,992	910,858	609,732
Utility connection charges receivable:					
Deferred		297,447		297,447	70,100
Due from other funds	826,796	348,512	73,819	1,249,127	1,658,371
Due from other governmental units	1,262,453	2,808,162	944,262	5,014,877	8,099,923
Advances to other funds		693,217		693,217	902,169
Prepaid items	108,607		6,512	115,119	22,473
Restricted cash	29,273			29,273	39,466
Inventory	135,940		3,773	139,713	130,831
TOTAL ASSETS	\$ 23,905,040	\$ 104,019,876	\$ 16,083,473	\$ 144,008,389	\$ 153,058,537
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts and contracts payable	\$ 560,573	\$ 1,390,414	\$ 778,012	\$ 2,728,999	\$ 3,950,343
Deposits payable	806,220	4,300	494,121	1,304,641	896,843
Accrued compensation and payroll taxes	1,421,277		366,200	1,787,477	1,540,735
Due to other funds	465,549	30,151	275,006	770,706	505,265
Due to other governmental units	240,220	2,827,603	219,245	3,287,068	9,360,448
Advances from other funds			693,217	693,217	902,169
Deferred revenue	369,018	16,329,228	3,446,787	20,145,033	20,198,297
Total Liabilities	3,862,857	20,581,696	6,272,588	30,717,141	37,354,100
Fund Balance:					
Reserved for:					
Restricted assets	29,273			29,273	39,466
Prepaid items	108,607		6,512	115,119	22,473
Debt service			772,422	772,422	824,831
Interfund advances		693,217		693,217	902,169
Encumbrances	469,943	14,976,712	42,758	15,489,413	5,334,741
Airport		1,808,052		1,808,052	2,303,548
Flood control		26,544,612		26,544,612	22,898,746
Sales tax authorized projects		4,689,051		4,689,051	1,237,742
Unreserved, designated, reported in:					
General fund	7,174,498			7,174,498	6,998,302
Special revenue funds			1,957,258	1,957,258	1,803,585
Unreserved, undesignated, reported in:					
General fund	12,259,862			12,259,862	14,193,131
Capital projects fund		34,726,536		34,726,536	53,197,187
Special revenue funds			7,031,935	7,031,935	5,948,516
Total Fund Balance	20,042,183	83,438,180	9,810,885	113,291,248	115,704,437
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,905,040	\$ 104,019,876	\$ 16,083,473	\$ 144,008,389	\$ 153,058,537

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, 2008

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

Total governmental fund balances (page 20)		\$ 113,291,248
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 671,205,316	
Less: Accumulated depreciation	<u>(181,110,233)</u>	
		490,095,083
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	\$ 1,532,150	
Deferred special assessments and utility connection agreements	13,478,563	
Loans receivable	<u>5,134,320</u>	
		20,145,033
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.		
		37,188,208
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	\$ (28,386,292)	
Compensated absences	(8,700,214)	
Accrued interest	(454,641)	
Unamortized bond issuance costs	<u>71,816</u>	
		<u>(37,469,331)</u>
Net assets of governmental activities (page 17)		<u>\$ 623,250,241</u>

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

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2008	2007
REVENUES					
General property taxes	\$ 22,321,059	\$ 4,547,654	\$ 10,531,488	\$ 37,400,201	\$ 34,885,591
Tax increments collection		1,369,266	221,166	1,590,432	1,299,451
Sales tax		9,417,416	177,110	9,594,526	9,720,049
Special assessments		1,572,955		1,572,955	1,872,185
Utility connection and availability		550,149		550,149	174,075
Nonproperty taxes	4,773,328			4,773,328	4,685,569
Licenses and permits	2,680,368			2,680,368	2,810,859
Fines and forfeits	524,331			524,331	513,192
Intergovernmental revenues	8,808,834	14,893,891	5,478,337	29,181,062	24,742,193
Charges for services	3,302,051	576,366	9,983,166	13,861,583	12,527,566
Contributions in aid of construction		888,348		888,348	1,227,075
Interest earnings	747,173	3,873,540	330,967	4,951,680	5,627,588
Net increase in the fair value of investments	117,760	1,722,200	205,663	2,045,623	2,183,099
Miscellaneous revenues	237,011	679,133	405,502	1,321,646	3,173,243
Total Revenues	43,511,915	40,090,918	27,333,399	110,936,232	105,441,735
EXPENDITURES					
Current:					
General government	6,873,581			6,873,581	6,368,922
Public safety	34,867,390		24,414	34,891,804	31,350,259
Public works	10,640,690			10,640,690	9,120,258
Airport operations			3,192,454	3,192,454	3,105,049
Transit			3,781,225	3,781,225	2,828,406
Culture	1,167,142		5,932,082	7,099,224	6,658,566
Park and recreation			11,728,868	11,728,868	10,929,854
Economic development/tourism	1,808,957		543,117	2,352,074	2,457,602
Community reinvestment and unallocated	633,038			633,038	352,345
Debt service			1,537,607	1,537,607	8,852,035
Capital outlay		55,245,719		55,245,719	18,346,025
Total Expenditures	55,990,798	55,245,719	26,739,767	137,976,284	100,369,321
Excess (deficiency) of revenues over (under) expenditures	(12,478,883)	(15,154,801)	593,632	(27,040,052)	5,072,414
OTHER FINANCING SOURCES (USES)					
Sale of land			360,000	360,000	
Issuance of debt		2,500,000	6,700,000	9,200,000	9,900,000
Transfers in	11,160,104	11,840,322	646,434	23,646,860	23,434,123
Transfers out	(353,019)	(1,115,257)	(7,111,721)	(8,579,997)	(14,016,344)
Total other financing sources (uses)	10,807,085	13,225,065	594,713	24,626,863	19,317,779
Net change in fund balances	(1,671,798)	(1,929,736)	1,188,345	(2,413,189)	24,390,193
Fund Balance - beginning	21,713,981	85,367,916	8,622,540	115,704,437	91,314,244
Fund Balance - ending	\$ 20,042,183	\$ 83,438,180	\$ 9,810,885	\$ 113,291,248	\$ 115,704,437

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, 2008

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

Net change in fund balances - total governmental funds (page 22) \$ (2,413,189)

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	\$	55,245,719	
Capital outlay-other governmental funds		849,559	
Depreciation expense		<u>(15,170,622)</u>	40,924,656

Infrastructure contributed from governmental activities to business-type activities reduces governmental net assets but does not effect fund balance. (8,232,208)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (2,758,199)

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, 2008	\$	20,145,033	
Deferred revenue, December 31, 2007		<u>(20,198,297)</u>	(53,264)

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, 2008	\$	(8,700,214)	
Compensated absences, December 31, 2007		<u>8,127,510</u>	(572,704)

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	\$	663,296	
Issuance of debt		(9,200,000)	
Change in accrued interest		(344,305)	
Bond issuance costs incurred		26,925	
Amortization of bond issuance costs		<u>(3,215)</u>	(8,857,299)

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

4,825,052

Change in net assets of governmental activities (pages 18 and 19) \$ 22,862,845

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

For the Year Ended December 31, 2008
 With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$23,681,423	\$ 22,380,179	\$ 22,321,059	\$ (59,120)	\$20,375,629
Nonproperty taxes	4,700,000	4,700,000	4,773,328	73,328	4,685,569
Licenses and permits	2,830,265	2,830,265	2,680,368	(149,897)	2,810,859
Fines and forfeits	461,000	527,902	524,331	(3,571)	513,192
Intergovernmental	9,337,521	10,784,203	8,808,834	(1,975,369)	9,625,794
Charges for services	2,786,170	3,241,475	3,302,051	60,576	2,954,890
Interest earnings	620,182	620,607	747,173	126,566	989,856
Net increase in the fair value of investments			117,760	117,760	399,912
Miscellaneous	203,758	271,697	237,011	(34,686)	209,953
Total Revenues	44,620,319	45,356,328	43,511,915	(1,844,413)	42,565,654
EXPENDITURES					
Current:					
General Government:					
Mayor and Council	734,942	798,153	791,363	6,790	749,146
City Administrator	568,793	568,793	562,159	6,634	532,903
Development District Administration	144,435	144,435	143,566	869	131,695
City Clerk	299,767	314,106	319,026	(4,920)	282,709
Elections and Voter Registration	148,461	148,461	144,315	4,146	11,049
Finance Department	1,166,677	1,175,280	1,164,458	10,822	1,112,255
Information Systems	1,134,867	1,134,867	1,023,035	111,832	990,002
City Attorney	1,104,056	1,298,862	1,291,059	7,803	1,242,720
Human Resources	937,835	960,860	932,264	28,596	854,378
Planning and Zoning	28,600	28,600	27,298	1,302	14,665
City Hall Maintenance	425,313	425,562	475,038	(49,476)	447,400
Total General Government	6,693,746	6,997,979	6,873,581	124,398	6,368,922
Public Safety:					
Police Department	18,774,680	19,232,304	18,570,963	661,341	16,407,146
Fire Department	12,049,145	12,156,523	12,242,235	(85,712)	11,238,369
Fire Hazmat Response Team	45,000	89,145	71,353	17,792	69,850
Building Safety	2,702,738	2,747,253	2,734,479	12,774	2,569,638
Animal Control	341,711	350,271	355,426	(5,155)	304,563
Drug Enforcement Administration		100,440	34,990	65,450	15,212
Flood Control	473,220	473,220	555,622	(82,402)	486,662
Emergency Mgmt/Safety Council	302,322	302,322	302,322		210,803
Total Public Safety	34,688,816	35,451,478	34,867,390	584,088	31,302,243

**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, 2008

With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES (continued)					
Current:					
Public Works:					
Engineering	\$ 3,081,156	\$ 3,089,769	\$ 2,173,469	\$ 916,300	\$ 2,210,517
Traffic Engineer	1,201,455	1,230,973	1,161,762	69,211	1,110,355
Street and Alley	4,932,858	5,172,382	6,080,255	(907,873)	4,752,444
City Lighting	1,210,016	1,222,016	1,225,204	(3,188)	1,046,942
Total Public Works	<u>10,425,485</u>	<u>10,715,140</u>	<u>10,640,690</u>	<u>74,450</u>	<u>9,120,258</u>
Culture:					
Art Center/Theatre	327,913	327,913	327,011	902	300,033
Music Department	775,850	906,753	840,131	66,622	747,369
Total Culture	<u>1,103,763</u>	<u>1,234,666</u>	<u>1,167,142</u>	<u>67,524</u>	<u>1,047,402</u>
Economic Development/Tourism	<u>1,745,000</u>	<u>2,159,350</u>	<u>1,808,957</u>	<u>350,393</u>	<u>1,827,418</u>
Community Reinvestment and Unallocated	<u>1,110,268</u>	<u>1,008,717</u>	<u>633,038</u>	<u>375,679</u>	<u>352,345</u>
Total Expenditures	<u>55,767,078</u>	<u>57,567,330</u>	<u>55,990,798</u>	<u>1,576,532</u>	<u>50,018,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,146,759)</u>	<u>(12,211,002)</u>	<u>(12,478,883)</u>	<u>(267,881)</u>	<u>(7,452,934)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,162,647	11,491,338	11,160,104	(331,234)	11,033,458
Transfers out	<u>(173,686)</u>	<u>(286,960)</u>	<u>(353,019)</u>	<u>(66,059)</u>	<u>(1,194,446)</u>
Total other financing sources (uses)	<u>10,988,961</u>	<u>11,204,378</u>	<u>10,807,085</u>	<u>(397,293)</u>	<u>9,839,012</u>
Net change in fund balances	<u>(157,798)</u>	<u>(1,006,624)</u>	<u>(1,671,798)</u>	<u>(665,174)</u>	<u>2,386,078</u>
Fund Balance - beginning	<u>21,713,981</u>	<u>21,713,981</u>	<u>21,713,981</u>		<u>19,327,903</u>
Fund Balance - ending	<u>\$21,556,183</u>	<u>\$20,707,357</u>	<u>\$20,042,183</u>	<u>\$ (665,174)</u>	<u>\$21,713,981</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
December 31, 2008
With Comparative Totals as of December 31, 2007

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 79,755	\$ 27,024,562	\$ 5,332,076
Investments	6,521,400		
Accrued interest receivable	85,300	39,175	
Accounts receivable	38,812	7,882,091	360,043
Accrued utility revenues		3,032,722	28,150
Taxes receivable delinquent			
Inventory, material, supplies and fuel		15,838,253	120,076
Due from other funds			
Due from other governmental units	36		
Prepaid items		195,174	13,017
Restricted assets			
Restricted and reserved cash	4,500,000	13,240,843	
Total Current Assets	11,225,303	67,252,820	5,853,362
Noncurrent Assets:			
Capital assets:			
Nondepreciable	7,563,917	48,382,197	4,565,753
Depreciable	28,441,966	233,910,793	104,737,211
Less: Accumulated depreciation	(14,791,681)	(101,538,935)	(28,175,594)
Net capital assets	21,214,202	180,754,055	81,127,370
Deferred charges and other assets		1,462,909	12,069
Total Noncurrent Assets	21,214,202	182,216,964	81,139,439
Total Assets	32,439,505	249,469,784	86,992,801
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	80,563	11,341,275	344,406
Deposits payable	20,676	344,165	3,651
Accrued interest payable		323,770	
Accrued compensation and payroll taxes	10,286	492,957	50,999
Accrued compensated absences	28,166	1,314,465	155,308
Due to other funds	237	1,431,632	372,383
Due to other governmental units	48,869	436,677	7,244
Accrued claims			
Unearned revenue			255,821
Bonds and capital lease payable		2,507,352	390,000
Total Current Liabilities	188,797	18,192,293	1,579,812
Noncurrent Liabilities:			
Bonds payable		85,213,887	410,000
Unamortized bond premium		2,633,838	
Obligation under capital lease		228,252	
Accrued compensated absences	43,753	1,237,024	140,494
Accrued claims		93,000	
Post employment benefit obligation			
Unearned lease revenues		774,635	
Total Noncurrent Liabilities	43,753	90,180,636	550,494
Total Liabilities	232,550	108,372,929	2,130,306
NET ASSETS			
Invested in capital assets, net of related debt	21,214,202	103,411,570	80,327,371
Restricted for:			
Service territory acquisitions			
Unrestricted	10,992,753	37,685,285	4,535,124
Total Net Assets	\$ 32,206,955	\$ 141,096,855	\$ 84,862,495

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		2008	2007
		2008	2007		
\$ 35,148	\$ 182,677	\$ 32,654,218	\$ 27,266,022	\$ 375,975	\$ 1,185,333
11,125,500		17,646,900	32,070,000	31,795,800	25,504,000
111,321		235,796	376,865	246,200	254,200
170,521	31,130	8,482,597	10,511,226		28,222
		3,060,872	3,777,452		
				3,124	
18,006		15,976,335	12,843,179		
1,750,701	309,293	2,059,994	1,189,997		
33,916		33,952	494,255	2,378	
20,000		228,191	96,827		
			2,132,585		
20,379,338		38,120,181	58,478,811		
<u>33,644,451</u>	<u>523,100</u>	<u>118,499,036</u>	<u>149,237,219</u>	<u>32,423,477</u>	<u>26,971,755</u>
14,702,336	4,911,037	80,125,240	70,230,372		
288,391,193	43,801,495	699,282,658	651,999,704	23,579,500	22,468,767
(88,933,664)	(4,023,639)	(237,463,513)	(218,094,118)	(13,724,470)	(12,539,912)
<u>214,159,865</u>	<u>44,688,893</u>	<u>541,944,385</u>	<u>504,135,958</u>	<u>9,855,030</u>	<u>9,928,855</u>
428,465	54,457	1,957,900	1,655,567		
<u>214,588,330</u>	<u>44,743,350</u>	<u>543,902,285</u>	<u>505,791,525</u>	<u>9,855,030</u>	<u>9,928,855</u>
<u>248,232,781</u>	<u>45,266,450</u>	<u>662,401,321</u>	<u>655,028,744</u>	<u>42,278,507</u>	<u>36,900,610</u>
473,760	28,958	12,268,962	11,673,529	7,487	151,334
194,610		563,102	647,408	148,843	188,348
1,799,045		2,122,815	2,143,912		
103,651	11,942	669,835	601,914	15,515	14,875
233,595	22,996	1,754,530	1,637,781		
172,594	561,569	2,538,415	2,343,103		
6,306	123	499,219	503,399	13,278	9,884
				1,265,733	1,368,888
428,465	54,457	738,743	383,441		
1,865,000		4,762,352	4,563,149		
<u>5,277,026</u>	<u>680,045</u>	<u>25,917,973</u>	<u>24,497,636</u>	<u>1,450,856</u>	<u>1,733,329</u>
132,425,000		218,048,887	222,451,424		
4,456,229		7,090,067	7,509,472		
		228,252	450,554		
251,334	7,777	1,680,382	1,643,672		
		93,000	99,000	383,066	980,752
				632,995	307,282
		774,635	811,055		
<u>137,132,563</u>	<u>7,777</u>	<u>227,915,223</u>	<u>232,965,177</u>	<u>1,016,061</u>	<u>1,288,034</u>
<u>142,409,589</u>	<u>687,822</u>	<u>253,833,196</u>	<u>257,462,813</u>	<u>2,466,917</u>	<u>3,021,363</u>
95,792,974	44,156,109	344,902,226	327,640,171	9,855,030	9,928,855
			2,132,585		
10,030,218	422,519	63,665,899	67,793,175	29,956,560	23,950,392
<u>\$ 105,823,192</u>	<u>\$ 44,578,628</u>	<u>408,568,125</u>	<u>397,565,931</u>	<u>\$ 39,811,590</u>	<u>\$ 33,879,247</u>
		2,623,382	1,516,091		
		<u>\$ 411,191,507</u>	<u>\$ 399,082,022</u>		

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

For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 4,512,354	\$	\$
Sales and charges for services, pledged as security for revenue bonds		142,071,242	7,507,855
Miscellaneous		5,390,924	666,263
Total Operating Revenues	<u>4,512,354</u>	<u>147,462,166</u>	<u>8,174,118</u>
Operating Expenses:			
Purchased power		79,934,588	
Maintenance and operations	2,696,294	41,328,612	4,873,605
Depreciation	844,454	7,807,720	2,111,742
Total Operating Expenses	<u>3,540,748</u>	<u>129,070,920</u>	<u>6,985,347</u>
Operating Income	<u>971,606</u>	<u>18,391,246</u>	<u>1,188,771</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues	577		
Interest earnings	509,188	2,625,820	196,122
Net increase in the fair value of investments	185,900		
Interest and fiscal charges		(4,721,955)	(53,892)
Gain (loss) on disposal of property			
Other income (expense)	325	(311,486)	(5,770)
Total Nonoperating Revenues (Expenses)	<u>695,990</u>	<u>(2,407,621)</u>	<u>136,460</u>
Income (Loss) Before Transfers and Contributions	1,667,596	15,983,625	1,325,231
Capital contributions		2,708	1,003,831
Transfers in			86,960
Transfers out	(4,391,360)	(8,391,442)	(374,045)
Change in net assets	(2,723,764)	7,594,891	2,041,977
Net Assets - Beginning of Year	<u>34,930,719</u>	<u>133,501,964</u>	<u>82,820,518</u>
Net Assets - End of Year	<u>\$ 32,206,955</u>	<u>\$ 141,096,855</u>	<u>\$ 84,862,495</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		2008	2007
		2008	2007		
\$	\$ 3,510,500	\$ 8,022,854	\$ 7,420,283	\$ 16,624,230	\$ 15,706,592
13,569,242		163,148,339	171,489,105		
77,438	82,895	6,217,520	7,033,371		
<u>13,646,680</u>	<u>3,593,395</u>	<u>177,388,713</u>	<u>185,942,759</u>	<u>16,624,230</u>	<u>15,706,592</u>
		79,934,588	79,982,503		
7,874,660	2,081,692	58,854,863	66,215,778	10,924,310	10,803,454
8,406,634	778,938	19,949,488	15,345,397	2,043,220	1,893,266
<u>16,281,294</u>	<u>2,860,630</u>	<u>158,738,939</u>	<u>161,543,678</u>	<u>12,967,530</u>	<u>12,696,720</u>
<u>(2,634,614)</u>	<u>732,765</u>	<u>18,649,774</u>	<u>24,399,081</u>	<u>3,656,700</u>	<u>3,009,872</u>
				262,233	
9,219	114,309	124,105	480,253	15,452	
1,104,267		4,435,397	5,692,584	1,180,768	1,052,830
117,215		303,115	819,635	761,800	536,400
(5,821,357)	(7,844)	(10,605,048)	(7,782,659)		
(53,483)		(53,483)	(1,014,682)	41,516	91,444
150,999		(165,932)	399,283	1,268	9,391
<u>(4,493,140)</u>	<u>106,465</u>	<u>(5,961,846)</u>	<u>(1,405,586)</u>	<u>2,263,037</u>	<u>1,690,065</u>
(7,127,754)	839,230	12,687,928	22,993,495	5,919,737	4,699,937
7,682,593	4,666,958	13,356,090	9,824,434	37,645	73,689
14,619	100,629	202,208	1,228,727	63,290	245,139
<u>(1,595,985)</u>	<u>(491,200)</u>	<u>(15,244,032)</u>	<u>(10,816,619)</u>	<u>(88,329)</u>	<u>(75,026)</u>
(1,026,527)	5,115,617	11,002,194	23,230,037	5,932,343	4,943,739
106,849,719	39,463,011			33,879,247	28,935,508
<u>\$ 105,823,192</u>	<u>\$ 44,578,628</u>			<u>\$ 39,811,590</u>	<u>\$ 33,879,247</u>
		1,107,291	952,126		
		<u>\$ 12,109,485</u>	<u>\$ 24,182,163</u>		

**CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 4,466,671	\$ 144,609,152	\$ 8,043,898
Cash received from other City funds	45,518	4,974,808	165,708
Cash received from employees			
Cash paid to employees	(327,952)	(17,948,110)	(1,689,506)
Cash paid to suppliers	(2,522,935)	(108,696,141)	(3,069,243)
Other income	325		
Net Cash Provided By Operating Activities	1,661,627	22,939,709	3,450,857
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues	577		
Transfers in			
Transfers out	(4,391,360)	(8,354,428)	(373,155)
Net Cash Provided By (Used In) Noncapital Financing Activities	(4,390,783)	(8,354,428)	(373,155)
Cash Flows From Capital and Related Financing Activities:			
Capital contributions		2,708	
Proceeds from the sale of property			
Proceeds from issuance of revenue notes			
Premium on bonds issued			
Principal payments on bonds		(2,378,099)	(370,000)
Interest and fiscal charges		(4,161,883)	(53,707)
Acquisition of capital assets	(420,104)	(30,548,689)	(1,361,376)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(420,104)	(37,085,963)	(1,785,083)
Cash Flows From Investing Activities:			
Investment income	555,887	2,605,167	195,936
Payments to service territory escrow		(1,204,082)	
Funds release from service territory escrow		2,188,886	
Net (increase) decrease in investments	6,900,000		
Net Cash Provided By (Used In) Invested Activities	7,455,887	3,589,971	195,936
Net Increase (Decrease) in Cash and Cash Equivalents	4,306,627	(18,910,711)	1,488,555
Cash and Cash Equivalents, Beginning of Year	273,128	59,176,116	3,843,521
Cash and Cash Equivalents, End of Year	\$ 4,579,755	\$ 40,265,405	\$ 5,332,076
Classified As:			
Cash and Cash Equivalents	\$ 79,755	\$ 27,024,562	\$ 5,332,076
Restricted and Reserved Cash	4,500,000	13,240,843	
Total Cash and Cash Equivalents, End of Year	\$ 4,579,755	\$ 40,265,405	\$ 5,332,076

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2008	2007
		2008	2007		
\$ 13,100,863	\$ 3,939,467	\$ 174,160,051	\$ 181,980,588	\$ 14,417,362	\$ 13,554,016
59,403	178,038	5,423,475	4,385,091	2,232,712	2,124,354
(2,858,325)	(454,301)	(23,278,194)	(22,442,625)	(11,478,769)	(10,420,507)
(5,460,447)	(1,763,575)	(121,512,341)	(129,626,259)	1,268	8,191
150,999		151,324	198,644	5,172,573	5,266,054
<u>4,992,493</u>	<u>1,899,629</u>	<u>34,944,315</u>	<u>34,495,439</u>		
				259,110	
9,219	114,309	124,105	480,253	15,452	
14,619	100,629	115,248	1,228,727	63,290	245,139
<u>(1,595,985)</u>	<u>(491,200)</u>	<u>(15,206,128)</u>	<u>(10,778,039)</u>	<u>(88,329)</u>	<u>(75,026)</u>
<u>(1,572,147)</u>	<u>(276,262)</u>	<u>(14,966,775)</u>	<u>(9,069,059)</u>	249,523	170,113
		2,708	134,680		
			126,635,000	42,882	98,686
			3,511,687		
(1,815,000)		(4,563,099)	(34,625,000)		
(6,085,965)	(7,844)	(10,309,399)	(9,642,062)		
<u>(6,602,467)</u>	<u>(1,432,846)</u>	<u>(40,365,482)</u>	<u>(58,235,660)</u>	<u>(1,933,104)</u>	<u>(2,790,466)</u>
<u>(14,503,432)</u>	<u>(1,440,690)</u>	<u>(55,235,272)</u>	<u>27,778,645</u>	<u>(1,890,222)</u>	<u>(2,691,780)</u>
1,219,289		4,576,279	5,587,155	1,188,768	1,015,730
		(1,204,082)	(672,516)		
		2,188,886			
<u>7,826,215</u>		<u>14,726,215</u>	<u>(4,134,285)</u>	<u>(5,530,000)</u>	<u>(2,875,000)</u>
<u>9,045,504</u>		<u>20,287,298</u>	<u>780,354</u>	<u>(4,341,232)</u>	<u>(1,859,270)</u>
(2,037,582)	182,677	(14,970,434)	53,985,379	(809,358)	885,117
22,452,068		85,744,833	31,759,454	1,185,333	300,216
<u>\$ 20,414,486</u>	<u>\$ 182,677</u>	<u>\$ 70,774,399</u>	<u>\$ 85,744,833</u>	<u>\$ 375,975</u>	<u>\$ 1,185,333</u>
\$ 35,148	\$ 182,677	\$ 32,654,218	\$ 27,266,022	\$ 375,975	\$ 1,185,333
20,379,338		38,120,181	58,478,811		
<u>\$ 20,414,486</u>	<u>\$ 182,677</u>	<u>\$ 70,774,399</u>	<u>\$ 85,744,833</u>	<u>\$ 375,975</u>	<u>\$ 1,185,333</u>

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

For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

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)	\$ 971,606	\$ 18,391,246	\$ 1,188,771
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	844,454	7,807,720	2,111,742
Other income (expense)	325	(17,214)	
Other		(151,165)	22,141
(Increase) Decrease In:			
Accounts receivable	(3,061)	1,376,699	(79,700)
Accrued utility revenues		651,483	65,096
Inventory		(3,140,060)	8,006
Due from other funds			
Due from other governmental units	197		
Prepaid items		(118,347)	(13,017)
Other assets		(9,869)	
Increase (Decrease) In:			
Accounts and contracts payable, operations	(158,366)	(2,337,756)	151,475
Deposits payable	4,092	(136,204)	(2,194)
Accrued expenses and other liabilities	10,535	167,924	(22,066)
Unearned revenues		(74,425)	13,359
Accrued claims		93,000	
Due to other funds	(1,393)		
Due to other governmental units	(6,762)	436,677	7,244
Net Cash Provided By Operating Activities	<u>\$ 1,661,627</u>	<u>\$ 22,939,709</u>	<u>\$ 3,450,857</u>
Non Cash Transactions:			
Increase in fair value of investments	\$ 185,900	\$	\$
Receipt of contributed property		2,708	1,003,831
Service territory acquisition cost paid from escrow		(1,147,781)	
Borrowing under capital leases			

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2008	2007
		2008	2007		
\$ (2,634,614)	\$ 732,765	\$ 18,649,774	\$ 24,399,081	\$ 3,656,700	\$ 3,009,872
8,406,634	778,938	19,949,488	15,345,397	2,043,220	1,893,266
150,999		134,110	174,061	1,268	8,191
		(129,024)	181,050		
(41,896)	94,695	1,346,737	(611,959)	28,222	(28,222)
		716,579	(601,650)		
(1,102)		(3,133,156)	(3,374,240)		
(826,692)	(43,305)	(869,997)	203,489		
(10,351)	470,457	460,303	(488,953)	(2,378)	
		(131,364)	(20,000)		
(325,491)	(54,457)	(389,817)	(9,837)		
(181,746)	(139,100)	(2,665,493)	(2,132,510)	(143,860)	45,418
50,000		(84,306)	1,190	(39,505)	(52,585)
62,033	2,954	221,380	343,210	326,353	308,107
325,491	54,457	318,882	62,653		
		93,000	99,000	(700,841)	82,703
17,034	2,263	17,904	476,830		
2,194	(38)	439,315	448,627	3,394	(696)
<u>\$ 4,992,493</u>	<u>\$ 1,899,629</u>	<u>\$ 34,944,315</u>	<u>\$ 34,495,439</u>	<u>\$ 5,172,573</u>	<u>\$ 5,266,054</u>
\$ 117,215	\$ 4,666,958	\$ 303,115	\$ 819,635	\$ 761,800	\$ 536,400
7,682,593		13,356,090	9,824,434	37,645	73,689
		(1,147,781)	(484,495)		
			886,219		

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, 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, 2008, 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, 2008

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, 2008

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, 2008

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, 2008

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. Receivables and payables

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

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

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

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

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable, net of an allowance for uncollectible taxes currently estimated at 3.0% of the outstanding balance. The net amount of delinquent taxes receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (continued)

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

2. Receivables and payables (continued)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges 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.

3. Inventory

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

4. Restricted assets

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (continued)

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

5. Capital assets

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

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

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

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

	<u>Useful Life</u> <u>in Years</u>
Buildings	10 - 40
Infrastructure	15 - 67
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

6. 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, 2008

NOTE 1: Summary of Significant Accounting Policies (continued)

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

7. 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.

8. Compensated absences benefits

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

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

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

9. Long-term obligations

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1: Summary of Significant Accounting Policies (continued)

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

9. 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.

10. 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, 2007 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, 2008

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, 2008

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, 2008 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, 2008

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, 2008

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>	December 31, 2008 Amount	Weighted Average Maturity (in years)	Investment Rating as of Year End	
			S&P	MOODY
Commercial Paper	\$ 30,036,137	0.19 - 0.27	A-1+	P1
Guaranteed Investment Contracts	13,240,843	**	Unrated	Unrated
Short-Term Government Trust	21,417,328	0	AAA	Aaa
Municipal Bond	2,286,921	*	Unrated	Unrated
US Government and Agency Securities:				
Federal Farm Credit Bank	45,007,076	0.71 - 3.44	AAA	Aaa
Federal Home Loan Bank	42,331,826	0.26 - 3.62	AAA	Aaa
Federal Home Loan Mortgage Corporation	37,895,670	0.02 - 2.04	AAA	Aaa
Federal National Mortgage Association	25,108,362	0.56 - 1.97	AAA	Aaa
Sub-total Investments	217,324,163			
Cash and Deposits	14,788,163			
Total	<u>\$ 232,112,326</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, 2008**

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
Short-Term Government Trust	Federal Agency Securities	\$ 21,417,328
Federal Farm Credit Bank	Federal Agency Securities	45,007,076
Federal Home Loan Bank	Federal Agency Securities	42,331,826
Federal Home Loan Mortgage Corporation	Federal Agency Securities	37,895,670
Federal National Mortgage Association	Federal Agency Securities	25,108,362

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, 2008 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	\$ 39,348,592
Investments	154,614,280
Restricted and reserved cash and investments	<u>38,149,454</u>
Total	<u>\$ 232,112,326</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2008 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 117,835	\$ 652,130	\$ 409,664	\$ 82,824	\$1,262,453
Special Revenue	678,076	58,284	144,820	63,082	944,262
Capital Project	376,471	2,268,358	105,489	57,844	2,808,162
Enterprise		446	5,335	28,171	33,952
Internal Service			2,378		2,378
Totals	\$1,172,382	\$2,979,218	\$ 667,686	\$ 231,921	\$5,051,207

Amounts due to other governmental units as of December 31, 2008 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 24,576	\$ 211,979	\$ 3,665	\$ 240,220
Special Revenue	1,295	61,810	125,122	31,018	219,245
Capital Project		2,823,858	3,745		2,827,603
Enterprise		444,593	54,626		499,219
Internal Service		9,711	3,567		13,278
Totals	\$ 1,295	\$3,364,548	\$ 399,039	\$ 34,683	\$3,799,565

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

C. 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	\$ 29,273
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Enterprise Funds

Electric Fund:

Construction Account	8,960,112
Reserve Account	4,280,731

Sewer Fund:

Waste Water Construction Account	17,252,932
Waste Water Debt Service Account	3,126,406

Reserved Cash -

Enterprise Funds:

Parking Fund:

Bioscience Building Debt Service Reserve	<u>4,500,000</u>
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Total	<u><u>\$ 38,149,454</u></u>
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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 \$4,280,731 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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

C. 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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2008 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 50,967,192	\$ 6,191,383	\$	\$ 57,158,575
Construction in progress	48,618,574	40,423,143	29,955,980	59,085,737
Total capital assets, not being depreciated	<u>99,585,766</u>	<u>46,614,526</u>	<u>29,955,980</u>	<u>116,244,312</u>
Capital assets, being depreciated:				
Buildings	127,565,332	4,683,897		132,249,229
Improvements other than buildings	34,219,093	2,260,787		36,479,880
Infrastructure	330,222,379	18,890,728		349,113,107
Machinery and equipment	57,249,873	4,609,068	1,160,653	60,698,288
Total capital assets, being depreciated	<u>549,256,677</u>	<u>30,444,480</u>	<u>1,160,653</u>	<u>578,540,504</u>
Less accumulated depreciation for:				
Buildings	48,911,401	3,490,584		52,401,985
Improvements other than buildings	10,293,493	1,544,681		11,838,174
Infrastructure	86,913,095	7,087,622		94,000,717
Machinery and equipment	32,634,765	5,090,955	1,131,893	36,593,827
Total accumulated depreciation	<u>178,752,754</u>	<u>17,213,842</u>	<u>1,131,893</u>	<u>194,834,703</u>
Total capital assets, being depreciated, net	<u>370,503,923</u>	<u>13,230,638</u>	<u>28,760</u>	<u>383,705,801</u>
Governmental activities capital assets, net	<u>\$ 470,089,689</u>	<u>\$ 59,845,164</u>	<u>\$ 29,984,740</u>	<u>\$ 499,950,113</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2008 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	\$ 12,610,541	\$ 71,513	\$ 272,911	\$ 12,409,143
Construction in progress	57,619,831	40,023,606	29,927,340	67,716,097
Total capital assets, not being depreciated	<u>70,230,372</u>	<u>40,095,119</u>	<u>30,200,251</u>	<u>80,125,240</u>
Capital assets, being depreciated:				
Buildings and improvements	312,530,146	35,694,892	139,478	348,085,560
Machinery and equipment	339,469,558	12,453,153	725,613	351,197,098
Total capital assets, being depreciated	<u>651,999,704</u>	<u>48,148,045</u>	<u>865,091</u>	<u>699,282,658</u>
Less accumulated depreciation for:				
Buildings and improvements	101,848,739	8,995,750	85,995	110,758,494
Machinery and equipment	116,245,379	10,953,738	494,098	126,705,019
Total accumulated depreciation	<u>218,094,118</u>	<u>19,949,488</u>	<u>580,093</u>	<u>237,463,513</u>
Total capital assets, being depreciated, net	<u>433,905,586</u>	<u>28,198,557</u>	<u>284,998</u>	<u>461,819,145</u>
Business-type activities capital assets, net	<u>\$ 504,135,958</u>	<u>\$ 68,293,676</u>	<u>\$ 30,485,249</u>	<u>\$ 541,944,385</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 432,373
Public safety	2,838,627
Public works	4,822,734
Airport operations	2,206,035
Transit	680,420
Culture	1,182,709
Park and recreation	3,006,508
Economic development/tourism	1,216
Subtotal	<u>15,170,622</u>
Internal Service Funds:	
Equipment revolving	1,879,624
Information technology	<u>163,596</u>

Total depreciation expense - governmental activities \$17,213,842

Business-Type Activities:

Parking	\$ 844,454
Electric utility	7,807,720
Water utility	2,111,742
Sewer utility	8,406,634
Storm water utility	<u>778,938</u>

Total depreciation expense - business-type activities \$19,949,488

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

E. 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, 2008, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 826,796	\$ 465,549
Construction improvement	348,512	30,151
Subtotal	1,175,308	495,700
Non-Major Governmental Funds:		
Special Revenue -		
Library	26,916	6,830
Municipal recreation system		113,295
Law enforcement block grant		9,138
Airport operations	13,199	25,641
Economic development authority		33,704
Transit		59,482
Community development projects		26,916
Subtotal	40,115	275,006
Debt Service -		
Economic development authority bond	33,704	
Total Governmental Funds	1,249,127	770,706
Proprietary Funds:		
Enterprise -		
Parking		237
Electric utility		1,431,632
Water utility		372,383
Sewer utility	1,750,701	172,594
Storm water utility	309,293	561,569
Total Proprietary Funds	2,059,994	2,538,415
Total All Funds	\$ 3,309,121	\$ 3,309,121

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

The amounts advanced to and advanced from other funds as of December 31, 2008, at the individual fund level are summarized below:

Funds	Advances to Other Funds	Advances from Other
Major Governmental Funds:		
Capital Project -		
Construction improvement	\$ 693,217	\$
Non-Major Governmental Funds:		
Special Revenue -		
Municipal recreation system		693,217
Total Governmental Funds	<u>\$ 693,217</u>	<u>\$ 693,217</u>

Transfers during the year ended December 31, 2008 were as follows:

Funds	Transfers In	Transfers Out
General	<u>\$ 11,160,104</u>	<u>\$ 353,019</u>
Capital Project	<u>11,840,322</u>	<u>1,115,257</u>
Other Governmental Funds		
Library		23,595
Municipal Recreation System	3,919	288,132
Airport Operations		86,442
F.E. Williams Estate		5,000
Transit		346,282
Economic Development Authority		6,333,745
Community Development Projects Fund		28,525
Airport Hangar Construction Notes	70,660	
Facility Energy Improvements Loan	571,855	
Subtotal Other Governmental Funds	<u>646,434</u>	<u>7,111,721</u>
Subtotal Governmental Funds	<u>23,646,860</u>	<u>8,579,997</u>
Enterprise	202,208	15,244,032
Internal Service	63,290	88,329
Totals	<u>\$ 23,912,358</u>	<u>\$ 23,912,358</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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

Other significant transfers include:

- Economic Development Authority Fund transfer of \$6,333,745 to the Construction Improvement Capital Projects Fund for construction of the Bioscience Building
- Parking Enterprise Fund transfer of \$4,000,000 to the Construction Improvement Capital Projects Fund for the Bioscience Building

In the government-wide statement of net assets, transfers in/out of \$6,809,616 are comprised of \$8,232,208 transferred from governmental activities to business-type activities net of \$15,041,824 in transfers from business-type activities to governmental activities.

F. 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, 2008 totaled \$265,051.

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:	
2009	\$ 46,408
2010	47,730
2011	49,098
2012	50,514
2013	51,980

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2008, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/08
General Obligation Bonds:				
Taxable Tax Increment Bonds				
District 7, Series 1997	\$ 2,669,380	5.5%	2024	\$ 2,286,921
General Obligation Revenue Bonds:				
Wastewater Treatment Plant				
Refunding Bonds, Series 2001A	8,275,000	3.7-4.0%	2011	2,820,000
Wastewater Treatment Plant				
Revenue Bonds, Series 2004A	83,735,000	3.0-5.0%	2026	81,515,000
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	19,500,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2000	37,290,000	4.75%	2011	1,695,000
Electric Utility Revenue				
Bonds, Series 2002	11,275,000	3.0-4.5%	2017	7,620,000
Electric Utility Revenue				
Bonds, Series 2007C	76,680,000	4.0-5.0%	2030	75,970,000
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	4,140,000
Water Utility				
Note, Series 2006	1,525,000	3.80%	2010	800,000
Notes Payable:				
GO Sales Tax Revenue Note of 2001				
	2,500,000	2.83%	2021	1,849,000
GO Sales Tax Revenue Note of 2008				
	2,500,000	3.42%	2028	2,500,000
Airport Hangar - 1999				
	184,729	0%	2009	18,472
Airport Hangar - 2001				
	215,301	0%	2012	78,944
Airport Hangar - 2006				
	263,944	0%	2016	206,756
Energy Loan Payable	5,715,795	4.10%	2018	4,846,199
Capital Leases	886,219	1.995-4.46%	2010	450,604
Compensated Absences				12,135,126
Post Employment Benefit Obligation				632,995
Less: Unamortized premium and issuance costs				7,018,251
Deferred Refunding Balance				(1,926,113)
Total Long-term Debt				<u>\$ 271,212,155</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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

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

General Obligation Revenue Refunding and Revenue Bonds

General Obligation Revenue Refunding and Revenue Bonds are recorded as liabilities in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit and taxing power of the City.

Revenue Bonds and Notes – 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.

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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. 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.

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, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Taxable Tax Increment Bonds, District 7, Series 1997	\$ 2,378,511		\$ 91,590	\$ 2,286,921	\$
GO Sales Tax Revenue Note of 2001	1,965,000		116,000	1,849,000	120,000
GO Sales Tax Revenue Note of 2008		2,500,000		2,500,000	86,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	9,900,000			9,900,000	
REDA Lease Revenue Bonds, Series 2008		6,700,000		6,700,000	
Note Payable:					
Airport Hangar 1998	4,263		4,263		
Airport Hangar 1999	36,945		18,473	18,472	18,472
Airport Hangar 2001	100,474		21,530	78,944	21,530
Airport Hangar 2006	233,151		26,395	206,756	26,394
Municipal Loan Payable:					
Energy Loan	5,231,244		385,045	4,846,199	400,994
Less: Unamortized Issuance Costs	(48,106)	(26,925)	(3,215)	(71,816)	
Other Liabilities:					
Compensated Absences	8,127,510	5,323,157	4,750,453	8,700,214	5,210,000
Post Employment Benefit Obligation	307,282	325,713		632,995	
Governmental Activities Long-term Liabilities	<u>28,236,274</u>	<u>14,821,945</u>	<u>5,410,534</u>	<u>37,647,685</u>	<u>5,883,390</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant - Revenue Refunding Bonds, Series 2001A	3,685,000		865,000	2,820,000	900,000
Revenue Bonds, Series 2004A	82,465,000		950,000	81,515,000	965,000
Revenue Bonds, Series 2007A	30,455,000			30,455,000	
Variable Rate Demand Revenue Bonds, Series 2007B	19,500,000			19,500,000	
Revenue Bonds:					
Electric Utility Revenue Bonds - Series 2000	2,490,000		795,000	1,695,000	830,000
Series 2002	8,305,000		685,000	7,620,000	710,000
Series 2007	76,185,000		215,000	75,970,000	220,000
Revenue Note:					
Electric Utility Note of 2005	4,610,000		470,000	4,140,000	525,000
Water Utility Note of 2006	1,170,000		370,000	800,000	390,000
Less: Unamortized (Discount) Premium Deferred Refunding Balance	7,509,473 (2,063,576)		419,406 (137,463)	7,090,067 (1,926,113)	
Other Liabilities:					
Obligation Under Capital Lease	663,703		213,099	450,604	222,352
Compensated Absences	3,281,453	1,814,677	1,661,218	3,434,912	1,754,530
Business-type Activities Long-term Liabilities	<u>238,256,053</u>	<u>1,814,677</u>	<u>6,506,260</u>	<u>233,564,470</u>	<u>6,516,882</u>
Total	<u>\$ 266,492,327</u>	<u>\$ 16,636,622</u>	<u>\$ 11,916,794</u>	<u>\$ 271,212,155</u>	<u>\$ 12,400,272</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. 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, 2008 \$30,165,000 of revenue bonds outstanding are considered defeased.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2008, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Revenue Bonds*		Revenue Bonds and Notes		Energy Loan Payable		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2009			\$	\$ 780,870	\$ 400,994	\$ 194,626	\$ 272,397	\$ 114,935
2010			385,000	771,815	417,603	178,017	262,925	131,369
2011			405,000	753,234	434,900	160,719	268,925	124,746
2012			425,000	733,712	452,914	142,705	269,748	117,936
2013			445,000	713,250	471,674	123,946	262,394	110,876
2014-2018			2,560,000	3,223,676	2,668,114	309,981	1,368,783	440,599
2019-2023			3,220,000	2,547,002			1,157,000	233,014
2024-2028			4,060,000	1,694,865			791,000	82,814
2029-2033			5,100,000	621,404				
Totals			\$ 16,600,000	\$ 11,839,828	\$ 4,846,199	\$ 1,109,994	\$ 4,653,172	\$ 1,356,289
<u>Business-Type Activities</u>								
					<u>Capital Lease Obligations</u>			
					Principal	Interest		
2009	\$ 1,865,000	\$ 6,085,074	\$ 2,675,000	\$ 4,106,827	\$ 222,352	\$ 15,734		
2010	2,585,000	6,021,624	2,830,000	3,988,578	228,252	6,813		
2011	2,735,000	5,917,529	2,560,000	3,860,609				
2012	2,075,000	5,790,004	2,710,000	3,753,437				
2013	4,035,000	5,663,329	2,870,000	3,639,051				
2014-2018	32,725,000	24,118,095	16,885,000	16,101,086				
2019-2023	40,965,000	15,251,470	21,165,000	11,872,000				
2024-2028	47,305,000	4,105,268	26,240,000	6,805,501				
2029-2030			12,290,000	929,250				
Totals	\$ 134,290,000	\$ 72,952,393	\$ 90,225,000	\$ 55,056,339	\$ 450,604	\$ 22,547		

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

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2008, the City had not utilized \$163,719,330 of its net legal debt margin.

The City has issued several conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective companies to which the proceeds were remitted. The original amount of the current issues totals \$1,486,103,000 and the balance outstanding at December 31, 2008 totals \$1,478,759,497.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

H. 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, 2008 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, 2008 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 2008, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 495,312
Interest on net OPEB obligations	13,828
Adjustment to ARC	<u>(8,639)</u>
Annual OPEB Cost	500,501
Contributions during the year	<u>(174,788)</u>
Increase in net OPEB obligation	325,713
Net OPEB beginning of year	<u>307,282</u>
Net OPEB end of year	<u><u>\$ 632,995</u></u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

H. 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 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Net OPEB Beginning of year	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2007	\$ 478,719	\$	\$ 171,437	35.81%	\$ 307,282
December 31, 2008	\$ 500,501	\$ 307,282	\$ 174,788	21.64%	\$ 632,995

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)
1/1/2007	\$	\$ 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%

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, 2008**

NOTE 3: Detailed Notes on All Funds (continued)

H. 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.

I. Designated Fund Balance

Designated fund balance represents the portion which is based on tentative future spending plans. Fund balance has been designated at December 31, 2008 in the following funds:

General Fund

Designated:	
Subsequent years' appropriations	\$ 87,918
General contingency for future compensated absences	<u>7,086,580</u>
Totals	<u><u>\$ 7,174,498</u></u>

Special Revenue Funds

	<u>Library</u>	<u>Municipal Recreation</u>	<u>Totals</u>
Designated:			
Subsequent years' appropriations	\$ 274,685	\$ 68,939	\$ 343,624
General contingency for future compensated absences	<u>602,136</u>	<u>1,011,498</u>	<u>1,613,634</u>
Totals	<u><u>\$ 876,821</u></u>	<u><u>\$ 1,080,437</u></u>	<u><u>\$ 1,957,258</u></u>

J. Individual Fund Disclosures

A deficit fund balance exists in the following fund. This deficit is expected to be eliminated in future years:

Special Revenue Fund:

Economic Development Authority Fund	\$ (33,704)
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3: Detailed Notes on All Funds (continued)

K. Restricted Net Assets

	Restricted Net Assets Imposed By		
	Grantors	Contributors	Legally Enforceable
<u>Major Governmental Funds:</u>			
General Fund:			
Civic Music Endowment	\$	\$ 29,273	\$
Construction Improvement Fund:			
Flood Control	26,544,612		
Sales Tax Authorized Projects			4,689,051
<u>Nonmajor Governmental Funds:</u>			
Special Revenue Funds:			
CDBG Loans	3,266,358		
Airport Operations			7,091,358
Total Governmental Activities	<u>29,810,970</u>	<u>29,273</u>	<u>11,780,409</u>
Total Restricted Net Assets	<u>\$ 29,810,970</u>	<u>\$ 29,273</u>	<u>\$ 11,780,409</u>

NOTE 4: Other Information

A. Risk Management

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

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

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$1,648,799 reported in the Fund at December 31, 2008 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, 2008 and 2007 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2008	\$ 2,349,640	\$ 8,927,374	\$(9,628,215)	\$1,648,799
2007	2,266,937	8,529,839	(8,447,136)	\$2,349,640

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

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, 2008, the City's commitments with contractors and vendors were as follows:

	Remaining Commitment
<u>Construction Projects</u>	
Major Street Projects	\$ 2,601,477
Sewer and Water Projects	4,080,150
Sidewalk Projects	594,107
Traffic Projects	91,550
Storm Water / Storm Sewer Projects	222,062
Flood Control	148,363
Water Reclamation Projects	59,440
Parking Ramp Rehabilitation	97,000
Airport Projects	231,926
Civic Center Expansion & Improvements	3,518,191
Parks Projects - Various	33,923
	<u>\$ 11,678,189</u>
<u>Equipment Purchase Commitments</u>	
Facility Energy Improvements	\$ 44,989
Building Permit Software	15,827
800 Mghz Radios	325,887
	<u>\$ 386,703</u>
<u>Component Unit Commitments</u>	
Rochester EDA - Biobusiness Center	<u>\$ 3,109,851</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 4: Other Information (continued)

C. Contingent Liabilities

General Litigation:

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

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Federal Transit, and Airport Improvement programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2008, 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 has filed a counterclaim alleging that RPU's steam sale agreement with the Mayo Clinic represents a breach of a 1992 "Settlement Agreement" concerning the use of RPU's Silver Lake Plant. SMMPA also filed counterclaims for declaratory judgment on issues relating to the nature of RPU's obligations under the Power Sales Contract. 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, 2008

NOTE 4: Other Information (continued)

C. Contingent Liabilities (continued)

SMMPA Litigation (continued):

RPU's claims and SMMPA's counterclaims were heard during a court trial that occurred in January 2009. During the trial, RPU dismissed its breach of contract claims.

On May 8, 2009, the state district court issued a decision in this case. The court ruled RPU was obligated to pay the capital costs of new generating resources despite its election of a "contract rate of delivery" in 1999. The court also ruled that RPU's steam sale agreement with Mayo Clinic did not violate a 1992 Settlement Agreement or the agreement with SMMPA. The court also ruled that several of SMMPA's counterclaims could not be determined because most of the members of SMMPA were not part of the litigation.

Post trial motions are pending and the time for the filing of appeals has not yet expired.

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

D. Deferred Compensation

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

E. Employee Retirement Systems

The City participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two cost-sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

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. 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

A. Plan Description (continued)

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 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City of Rochester is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$2,520,353, \$2,289,194, and \$2,096,034, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2008, 2007, and 2006 were \$2,232,035, \$1,813,848, and \$1,545,448, 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, 2008

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
December 31, 2008

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%

See Note 4H, Post-Employment Benefits, for more information.

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2008

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2008

SPECIAL REVENUE FUNDS

Library Fund:

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

Municipal Recreation System Fund:

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

Law Enforcement Block Grants Fund:

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

Airport Operations Fund:

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

The F.E. Williams Estate Fund:

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

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

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, 2008

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, 2008

	Special Revenue						
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	Transit	
ASSETS							
Cash and cash equivalents	\$ 53,958	\$ 152,333	\$	\$ 116,997	\$ 17,056	\$	\$
Investments	1,559,700	2,807,400		4,159,000	623,900		
Accrued interest receivable	12,100	21,700		32,200	4,800		
Accounts receivable (net of allowance for uncollectibles)	15,377	258,878		1,025,592		8,609	
Loans receivable							
Taxes receivable delinquent	75,503	90,509		9,317		110	
Special assessments receivable delinquent		4,992					
Due from other funds	26,916			13,199			
Due from other governmental units	37,828	177,634	10,194	32,609		573,303	
Prepaid items	6,512						
Inventory		3,773					
TOTAL ASSETS	\$ 1,787,894	\$ 3,517,219	\$ 10,194	\$ 5,388,914	\$ 645,756	\$ 582,022	\$
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 58,585	\$ 161,925	\$ 749	\$ 69,355	\$ 1,287	\$ 423,937	\$
Deposits payable	6,816	487,305					
Accrued compensation and payroll taxes	149,890	216,062				248	
Due to other funds	6,830	113,295	9,138	25,641		59,482	33,704
Due to other governmental units	15,826	178,173	307	1,295		40	
Advances from other funds		693,217					
Deferred revenue	75,503	95,500		9,317		109	
Total Liabilities	313,450	1,945,477	10,194	105,608	1,287	483,816	33,704
Fund Balance:							
Reserved for prepaid items	6,512						
Reserved for debt service							
Reserved for encumbrances	24,161	18,597					
Unreserved:							
Designated for future compensated absences	602,136	1,011,498					
Designated for subsequent years' appropriations	274,685	68,939					
Undesignated	566,950	472,708		5,283,306	644,469	98,206	(33,704)
Total Fund Balance	1,474,444	1,571,742		5,283,306	644,469	98,206	(33,704)
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,787,894	\$ 3,517,219	\$ 10,194	\$ 5,388,914	\$ 645,756	\$ 582,022	\$

Community Development Projects	Total	Tax Increment Bonds	Airport Hangar Construction Notes	Transportation Sales Tax Note 2008	Debt Service			Total	Total Nonmajor Governmental Funds
					Transportation Sales Tax Note	Facility Energy Improvements Loan	Economic Development Authority Bond		
\$	\$ 340,344	\$	\$	\$	\$	\$ 306,067	\$ 432,651	\$ 738,718	\$ 1,079,062
	9,150,000								9,150,000
	70,800								70,800
	1,308,456								1,308,456
3,266,358	3,266,358								3,266,358
	175,439								175,439
	4,992								4,992
	40,115						33,704	33,704	73,819
112,694	944,262								944,262
	6,512								6,512
	3,773								3,773
<u>\$ 3,379,052</u>	<u>\$ 15,311,051</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 306,067</u>	<u>\$ 466,355</u>	<u>\$ 772,422</u>	<u>\$ 16,083,473</u>
\$ 62,174	\$ 778,012	\$	\$	\$	\$	\$	\$	\$	\$ 778,012
	494,121								494,121
	366,200								366,200
26,916	275,006								275,006
23,604	219,245								219,245
	693,217								693,217
3,266,358	3,446,787								3,446,787
<u>3,379,052</u>	<u>6,272,588</u>								<u>6,272,588</u>
	6,512								6,512
	42,758					306,067	466,355	772,422	772,422
									42,758
	1,613,634								1,613,634
	343,624								343,624
	7,031,935								7,031,935
	9,038,463					306,067	466,355	772,422	9,810,885
<u>\$ 3,379,052</u>	<u>\$ 15,311,051</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 306,067</u>	<u>\$ 466,355</u>	<u>\$ 772,422</u>	<u>\$ 16,083,473</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	Special Revenue						
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	Transit	Economic Development Authority
REVENUES							
General property taxes	\$ 4,529,620	\$ 5,517,987	\$	\$ 483,812	\$	\$ 69	\$
Tax increments							
Sales tax							
Intergovernmental revenues	1,151,511	401,803	24,414	228,109		3,122,283	
Charges for services	164,212	6,221,590		2,934,276		663,088	
Interest earnings	28,732	66,210		198,156	14,283	2,784	
Net increase (decrease) in the fair value of investments	32,100	67,800		97,600	20,400	(11,400)	
Miscellaneous revenues	202,451	66,812		18,000	7,802	30,825	
Total Revenues	<u>6,108,626</u>	<u>12,342,202</u>	<u>24,414</u>	<u>3,959,953</u>	<u>42,485</u>	<u>3,807,649</u>	
EXPENDITURES							
Culture	5,932,082						
Park and recreation		11,720,332			8,536		
Public safety			24,414				
Airport operations				3,192,454			
Transit						3,781,225	
Economic development/tourism							
Debt service							
Total Expenditures	<u>5,932,082</u>	<u>11,720,332</u>	<u>24,414</u>	<u>3,192,454</u>	<u>8,536</u>	<u>3,781,225</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>176,544</u>	<u>621,870</u>		<u>767,499</u>	<u>33,949</u>	<u>26,424</u>	
OTHER FINANCING SOURCES (USES)							
Sale of land					360,000		
Issuance of debt							6,333,745
Transfers in		3,919					
Transfers out	(23,595)	(288,132)		(86,442)	(5,000)	(346,282)	(6,333,745)
Total Other Financing Sources (Uses)	<u>(23,595)</u>	<u>(284,213)</u>		<u>(86,442)</u>	<u>355,000</u>	<u>(346,282)</u>	
Net change in fund balances	152,949	337,657		681,057	388,949	(319,858)	
Fund Balances - beginning	1,321,495	1,234,085		4,602,249	255,520	418,064	(33,704)
Fund Balances - ending	<u>\$ 1,474,444</u>	<u>\$ 1,571,742</u>	<u>\$</u>	<u>\$ 5,283,306</u>	<u>\$ 644,469</u>	<u>\$ 98,206</u>	<u>\$ (33,704)</u>

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		
\$	\$10,531,488	\$ 221,166	\$	\$	\$	\$	\$	\$	\$10,531,488
				5,500	171,610			221,166	221,166
550,217	5,478,337							177,110	177,110
	9,983,166								5,478,337
	310,165						20,802	20,802	9,983,166
	206,500					8,963	(9,800)	(837)	330,967
	325,890					79,612		79,612	205,663
550,217	26,835,546	221,166		5,500	171,610	88,575	11,002	497,853	405,502
	5,932,082								5,932,082
	11,728,868								11,728,868
	24,414								24,414
	3,192,454								3,192,454
	3,781,225								3,781,225
521,692	521,692						21,425	21,425	543,117
		221,166	70,660	5,500	171,610	595,619	473,052	1,537,607	1,537,607
521,692	25,180,735	221,166	70,660	5,500	171,610	595,619	494,477	1,559,032	26,739,767
28,525	1,654,811		(70,660)			(507,044)	(483,475)	(1,061,179)	593,632
	360,000								360,000
	6,333,745						366,255	366,255	6,700,000
	3,919		70,660			571,855		642,515	646,434
(28,525)	(7,111,721)								(7,111,721)
(28,525)	(414,057)		70,660			571,855	366,255	1,008,770	594,713
	1,240,754					64,811	(117,220)	(52,409)	1,188,345
	7,797,709					241,256	583,575	824,831	8,622,540
\$	\$ 9,038,463	\$	\$	\$	\$	\$ 306,067	\$ 466,355	\$ 772,422	\$ 9,810,885

CITY OF ROCHESTER, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 4,809,246	\$ 4,544,979	\$ 4,529,620	\$ (15,359)	\$ 4,223,223
Intergovernmental	879,904	1,148,605	1,151,511	2,906	1,112,259
Charges for services	143,850	143,850	164,212	20,362	149,737
Interest earnings	10,000	20,730	28,732	8,002	32,771
Net increase in the fair value of investments			32,100	32,100	33,300
Miscellaneous					
Contributions		194,525	194,525		156,330
Other	7,000	7,000	7,926	926	8,807
Total Revenues	<u>5,850,000</u>	<u>6,059,689</u>	<u>6,108,626</u>	<u>48,937</u>	<u>5,716,427</u>
EXPENDITURES					
Public Library	5,826,405	5,845,487	5,746,721	98,766	5,469,544
Library - SELCO		33,143	1,727	31,416	4,835
Gifts appropriations		426,904	183,634	243,270	136,785
Total Expenditures	<u>5,826,405</u>	<u>6,305,534</u>	<u>5,932,082</u>	<u>373,452</u>	<u>5,611,164</u>
Excess (deficiency) of revenues over (under) expenditures	23,595	(245,845)	176,544	422,389	105,263
OTHER FINANCING USES					
Transfers out	<u>(23,595)</u>	<u>(23,595)</u>	<u>(23,595)</u>		<u>(21,505)</u>
Net change in fund balances		<u>(269,440)</u>	<u>152,949</u>	<u>422,389</u>	<u>83,758</u>
Fund Balance - beginning	<u>1,321,495</u>	<u>1,321,495</u>	<u>1,321,495</u>		<u>1,237,737</u>
Fund Balances - ending	<u>\$ 1,321,495</u>	<u>\$ 1,052,055</u>	<u>\$ 1,474,444</u>	<u>\$ 422,389</u>	<u>\$ 1,321,495</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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 5,860,637	\$ 5,538,636	\$5,517,987	\$ (20,649)	\$ 5,018,235
Intergovernmental	50,188	372,189	401,803	29,614	384,493
Charges for services	5,975,729	5,975,729	6,221,590	245,861	5,664,463
Interest earnings	52,150	52,150	66,210	14,060	58,583
Net increase in the fair value of investments			67,800	67,800	47,500
Miscellaneous					
Contributions	22,000	42,966	20,966	(22,000)	23,014
Other	35,750	37,572	45,846	8,274	47,702
Total Revenues	<u>11,996,454</u>	<u>12,019,242</u>	<u>12,342,202</u>	<u>322,960</u>	<u>11,243,990</u>
EXPENDITURES					
Administration	432,775	432,775	430,075	2,700	510,444
Recreation Department	633,982	636,697	642,436	(5,739)	621,178
Golf	1,610,638	1,634,440	1,506,452	127,988	1,509,954
Tennis Center	49,967	49,967	49,429	538	51,026
Volleyball Center	287,984	287,984	286,792	1,192	292,891
Swimming Pools	209,130	211,230	225,203	(13,973)	200,263
Graham Arenas	579,260	602,372	656,304	(53,932)	509,714
Park	3,597,178	3,623,642	3,575,978	47,664	3,374,513
Plummer House	61,188	62,288	53,769	8,519	50,763
Recreation Center	1,243,158	1,243,158	1,233,714	9,444	1,096,837
UCR Field House	141,900	141,900	144,808	(2,908)	123,464
Mayo Civic Center	2,629,097	2,642,527	2,915,372	(272,845)	2,588,801
Total Expenditures	<u>11,476,257</u>	<u>11,568,980</u>	<u>11,720,332</u>	<u>(151,352)</u>	<u>10,929,848</u>
Excess (deficiency) of revenues over (under) expenditures	<u>520,197</u>	<u>450,262</u>	<u>621,870</u>	<u>171,608</u>	<u>314,142</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		3,919	3,919		120,000
Transfers out	(520,197)	(497,085)	(288,132)	208,953	(299,530)
Total Other Financing Sources (Uses)	<u>(520,197)</u>	<u>(493,166)</u>	<u>(284,213)</u>	<u>208,953</u>	<u>(179,530)</u>
Net change in fund balances		(42,904)	337,657	380,561	134,612
Fund Balance - beginning	<u>1,234,085</u>	<u>1,234,085</u>	<u>1,234,085</u>		<u>1,099,473</u>
Fund Balances - ending	<u>\$ 1,234,085</u>	<u>\$ 1,191,181</u>	<u>\$ 1,571,742</u>	<u>\$ 380,561</u>	<u>\$ 1,234,085</u>

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

For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental	\$ 24,414	\$ 24,414	\$24,414	\$	\$ 15,908
Interest earnings					397
Total Revenues	<u>24,414</u>	<u>24,414</u>	<u>24,414</u>		<u>16,305</u>
EXPENDITURES					
Law enforcement block grant	<u>24,414</u>	<u>24,414</u>	<u>24,414</u>		<u>48,016</u>
Total Expenditures	<u>24,414</u>	<u>24,414</u>	<u>24,414</u>		<u>48,016</u>
Excess (deficiency) of revenues over (under) expenditures					(31,711)
Fund Balances - beginning					<u>31,711</u>
Fund Balances - 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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$ 511,382	\$ 483,273	\$ 483,812	\$ 539	\$ 674,804
Intergovernmental	198,752	226,861	228,109	1,248	285,434
Charges for services	2,768,378	2,768,378	2,934,276	165,898	2,936,705
Interest earnings	100,000	100,000	198,156	98,156	184,665
Net increase in the fair value of investments			97,600	97,600	70,600
Miscellaneous	18,000	18,000	18,000		18,000
Total Revenues	<u>3,596,512</u>	<u>3,596,512</u>	<u>3,959,953</u>	<u>363,441</u>	<u>4,170,208</u>
EXPENDITURES					
Airport operations	2,618,742	2,618,742	3,065,257	(446,515)	2,910,888
US customs operations	157,200	157,200	127,197	30,003	194,161
Total Expenditures	<u>2,775,942</u>	<u>2,775,942</u>	<u>3,192,454</u>	<u>(416,512)</u>	<u>3,105,049</u>
Excess (deficiency) of revenues over (under) expenditures	820,570	820,570	767,499	(53,071)	1,065,159
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(366,192)</u>	<u>(366,192)</u>	<u>(86,442)</u>	<u>279,750</u>	<u>(211,911)</u>
Net change in fund balances	454,378	454,378	681,057	226,679	853,248
Fund Balances - beginning	<u>4,602,249</u>	<u>4,602,249</u>	<u>4,602,249</u>		<u>3,749,001</u>
Fund Balances - ending	<u>\$5,056,627</u>	<u>\$5,056,627</u>	<u>\$5,283,306</u>	<u>\$ 226,679</u>	<u>\$4,602,249</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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
Interest earnings	\$ 10,000	\$ 10,000	\$ 14,283	\$ 4,283	\$ 10,136
Net increase in the fair value of investments			20,400	20,400	4,600
Miscellaneous					
Rental of real property			7,802	7,802	10,293
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>42,485</u>	<u>32,485</u>	<u>25,029</u>
EXPENDITURES					
Contractual services			2,348	(2,348)	6
Other Charges			1,188	(1,188)	
Capital outlay			5,000	(5,000)	
Total Expenditures			<u>8,536</u>	<u>(8,536)</u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,000</u>	<u>10,000</u>	<u>33,949</u>	<u>23,949</u>	<u>25,023</u>
OTHER FINANCING SOURCES (USES)					
Sale of land			360,000	360,000	
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>		<u>(20,344)</u>
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>355,000</u>	<u>360,000</u>	<u>(20,344)</u>
Net change in fund balances	5,000	5,000	388,949	383,949	4,679
Fund Balances - beginning	<u>255,520</u>	<u>255,520</u>	<u>255,520</u>		<u>250,841</u>
Fund Balances - ending	<u>\$ 260,520</u>	<u>\$ 260,520</u>	<u>\$ 644,469</u>	<u>\$ 383,949</u>	<u>\$ 255,520</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, 2008
 With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
General property taxes	\$	\$	\$ 69	\$ 69	\$ 243
Intergovernmental revenues	3,277,545	3,278,185	3,122,283	(155,902)	2,635,073
Charges for services	195,750	195,750	663,088	467,338	185,476
Interest earnings	15,000	15,000	2,784	(12,216)	14,912
Net increase (decrease) in the fair value of investments			(11,400)	(11,400)	13,600
Miscellaneous		30,711	30,825	114	33,828
Total Revenues	<u>3,488,295</u>	<u>3,519,646</u>	<u>3,807,649</u>	<u>288,003</u>	<u>2,883,132</u>
EXPENDITURES					
Employee services	12,642	12,642	12,235	407	11,514
Contractual services	511,578	542,289	520,271	22,018	528,653
Materials and supplies	83,878	84,193	94,033	(9,840)	78,183
Other charges	<u>2,756,140</u>	<u>2,756,780</u>	<u>3,154,686</u>	<u>(397,906)</u>	<u>2,210,056</u>
Total Expenditures	<u>3,364,238</u>	<u>3,395,904</u>	<u>3,781,225</u>	<u>(385,321)</u>	<u>2,828,406</u>
Excess (deficiency) of revenues over (under) expenditures	124,057	123,742	26,424	(97,318)	54,726
OTHER FINANCING USES					
Transfers out	<u>(346,282)</u>	<u>(346,282)</u>	<u>(346,282)</u>		<u>(255,111)</u>
Net change in fund balances	(222,225)	(222,540)	(319,858)	(97,318)	(200,385)
Fund Balances - beginning	<u>418,064</u>	<u>418,064</u>	<u>418,064</u>		<u>618,449</u>
Fund Balances - ending	<u>\$ 195,839</u>	<u>\$ 195,524</u>	<u>\$ 98,206</u>	<u>\$ (97,318)</u>	<u>\$ 418,064</u>

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CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2008

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, 2008

With Comparative Totals as of December 31, 2007

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2008	2007
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,808	\$ 112,576	\$ 260,591	\$ 375,975	\$ 1,185,333
Investments	6,030,600	3,327,200	22,438,000	31,795,800	25,504,000
Accrued interest receivable	46,700	25,800	173,700	246,200	254,200
Accounts receivable					28,222
Taxes receivable delinquent		3,124		3,124	
Due from other governmental units		2,378		2,378	
Total Current Assets	<u>6,080,108</u>	<u>3,471,078</u>	<u>22,872,291</u>	<u>32,423,477</u>	<u>26,971,755</u>
Noncurrent Assets:					
Capital assets:					
Machinery and equipment	22,502,495	1,077,005		23,579,500	22,468,767
Less: Accumulated depreciation	(13,102,599)	(621,871)		(13,724,470)	(12,539,912)
Total capital assets (net of accumulated depreciation)	<u>9,399,896</u>	<u>455,134</u>		<u>9,855,030</u>	<u>9,928,855</u>
Total Assets	<u>15,480,004</u>	<u>3,926,212</u>	<u>22,872,291</u>	<u>42,278,507</u>	<u>36,900,610</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	10	135	7,342	7,487	151,334
Deposits payable			148,843	148,843	188,348
Accrued compensation and payroll taxes			15,515	15,515	14,875
Due to other governmental units			13,278	13,278	9,884
Accrued claims			1,265,733	1,265,733	1,368,888
Total Current Liabilities	<u>10</u>	<u>135</u>	<u>1,450,711</u>	<u>1,450,856</u>	<u>1,733,329</u>
Noncurrent Liabilities:					
Accrued claims			383,066	383,066	980,752
Post employment benefit obligation			632,995	632,995	307,282
Total Noncurrent Liabilities			<u>1,016,061</u>	<u>1,016,061</u>	<u>1,288,034</u>
Total Liabilities	<u>10</u>	<u>135</u>	<u>2,466,772</u>	<u>2,466,917</u>	<u>3,021,363</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,399,896	455,134		9,855,030	9,928,855
Unrestricted	6,080,098	3,470,943	20,405,519	29,956,560	23,950,392
Total Net Assets	<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>

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

For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2008	2007
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 1,867,856	\$ 379,459	\$	\$ 2,247,315	\$ 2,068,739
Copy center charges	24,110			24,110	21,403
Departmental workers' compensation charges			179,756	179,756	174,207
Departmental insurance charges			11,920,615	11,920,615	11,299,308
Departmental flex charges			19,722	19,722	18,581
Employee insurance charges			1,579,501	1,579,501	1,530,044
Employee flex benefit contributions			653,211	653,211	594,310
Total Operating Revenues	<u>1,891,966</u>	<u>379,459</u>	<u>14,352,805</u>	<u>16,624,230</u>	<u>15,706,592</u>
Operating Expenses:					
Copy center	15,367			15,367	12,747
Minor equipment		268,792		268,792	300,517
Workers' compensation benefits			211,861	211,861	154,141
Workers' compensation insurance premiums			49,034	49,034	39,298
Health insurance claims			8,874,764	8,874,764	8,848,295
Flex benefits			675,159	675,159	585,806
Property and liability insurance			614,144	614,144	623,246
Property and liability claims			61,362	61,362	83,914
Other	30	153,797		153,827	155,490
Depreciation	1,879,624	163,596		2,043,220	1,893,266
Total Operating Expenses	<u>1,895,021</u>	<u>586,185</u>	<u>10,486,324</u>	<u>12,967,530</u>	<u>12,696,720</u>
Operating Income (Loss)	<u>(3,055)</u>	<u>(206,726)</u>	<u>3,866,481</u>	<u>3,656,700</u>	<u>3,009,872</u>
Nonoperating Revenues (Expenses):					
General property taxes		262,233		262,233	
Interest earnings	223,869	131,045	825,854	1,180,768	1,052,830
Net increase in the fair value of investments	132,800	73,700	555,300	761,800	536,400
Gain on disposal of property	41,516			41,516	91,444
Intergovernmental revenues		15,452		15,452	
Other income			1,268	1,268	9,391
Total Nonoperating Revenues (Expenses)	<u>398,185</u>	<u>482,430</u>	<u>1,382,422</u>	<u>2,263,037</u>	<u>1,690,065</u>
Income Before Transfers and Contributions	395,130	275,704	5,248,903	5,919,737	4,699,937
Capital contributions		37,645		37,645	73,689
Transfers in	46,858	16,432		63,290	245,139
Transfers out		(88,329)		(88,329)	(75,026)
Change in Net Assets	441,988	241,452	5,248,903	5,932,343	4,943,739
Total Net Assets - beginning	<u>15,038,006</u>	<u>3,684,625</u>	<u>15,156,616</u>	<u>33,879,247</u>	<u>28,935,508</u>
Total Net Assets - ending	<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>

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

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2008	2007
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 1,917,346	\$ 377,081	\$ 12,122,935	\$ 14,417,362	\$ 13,554,016
Cash received from employees			2,232,712	2,232,712	2,124,354
Cash paid to suppliers	(111,825)	(438,840)	(10,928,104)	(11,478,769)	(10,420,507)
Other income			1,268	1,268	8,191
Net Cash Provided by (Used in) Operating Activities	1,805,521	(61,759)	3,428,811	5,172,573	5,266,054
Cash Flows From Noncapital Financing Activities:					
General property taxes		259,110		259,110	
Intergovernmental revenues		15,452		15,452	
Transfers in	46,858	16,432		63,290	245,139
Transfers out		(88,329)		(88,329)	(75,026)
Net Cash Provided By Noncapital Financing Activities	46,858	202,665		249,523	170,113
Cash Flows From Capital and Related Financing Activities:					
Proceeds from sale of property	42,882			42,882	98,686
Acquisition of capital assets	(1,729,056)	(204,048)		(1,933,104)	(2,790,466)
Net Cash Used in Capital and Related Financing Activities	(1,686,174)	(204,048)		(1,890,222)	(2,691,780)
Cash Flows From Investing Activities:					
Investment income	231,469	135,645	821,654	1,188,768	1,015,730
Net increase in investments	(450,000)	(200,000)	(4,880,000)	(5,530,000)	(2,875,000)
Net Cash Used in Investing Activities	(218,531)	(64,355)	(4,058,346)	(4,341,232)	(1,859,270)
Net Increase (Decrease) in Cash and Cash Equivalents	(52,326)	(127,497)	(629,535)	(809,358)	885,117
Cash and Cash Equivalents, Beginning of Year	55,134	240,073	890,126	1,185,333	300,216
Cash and Cash Equivalents, End of Year	\$ 2,808	\$ 112,576	\$ 260,591	\$ 375,975	\$ 1,185,333

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2008	2007
Operating Income (Loss)	\$ (3,055)	\$ (206,726)	\$ 3,866,481	\$ 3,656,700	\$ 3,009,872
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	1,879,624	163,596		2,043,220	1,893,266
Other income			1,268	1,268	8,191
(Increase) Decrease In:					
Accounts receivable	25,380		2,842	28,222	(28,222)
Due from other governmental units		(2,378)		(2,378)	
Increase (Decrease) In:					
Accounts payable	(96,428)	(16,118)	(31,314)	(143,860)	45,418
Deposits payable			(39,505)	(39,505)	(52,585)
Accrued compensation and payroll taxes			640	640	825
Due to other governmental units		(133)	3,527	3,394	(696)
Post employment benefit obligation			325,713	325,713	307,282
Accrued claims			(700,841)	(700,841)	82,703
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,805,521</u>	<u>\$ (61,759)</u>	<u>\$ 3,428,811</u>	<u>\$ 5,172,573</u>	<u>\$ 5,266,054</u>
Non Cash Transactions:					
Receipt of contributed property	\$	\$ 37,645	\$	\$ 37,645	\$ 73,689
Increase in fair value of investments	132,800	73,700	555,300	761,800	536,400

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CITY OF ROCHESTER, MINNESOTA
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008

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

December 31, 2008

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation 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	\$ 382,459	\$ 2,286,921
Total General Obligation Tax Increment Bonds						<u>2,768,500</u>	<u>2,669,380</u>	<u>382,459</u>	<u>2,286,921</u>
<u>General Obligation Sales 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	\$ 120,000 (2009) 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	651,000	1,849,000
Subtotal General Obligation Sales Tax Revenue Notes						<u>2,500,000</u>	<u>2,500,000</u>	<u>651,000</u>	<u>1,849,000</u>
General Obligation Taxable Sales Tax Revenue Note of 2008	3.42% (2/20: 8/20)	12/5/2008	8/20/2028	86,000 (2009) 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		2,500,000
Subtotal General Obligation Sales Tax Revenue Notes						<u>2,500,000</u>	<u>2,500,000</u>		<u>2,500,000</u>
Total General Obligation Sales Tax Revenue Notes						<u>5,000,000</u>	<u>5,000,000</u>	<u>651,000</u>	<u>4,349,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation Revenue Bonds:</u>									
Wastewater Treatment Refunding Bonds 2001A dated September 15, 2001-str 12/1/07	3.7, 3.8 3.9, 4.0% (6/1; 12/1)	9/15/2001	12/1/2011	\$ 900,000 (2009) 930,000 (2010) 990,000 (2011)		\$ 8,275,000	\$ 8,275,000	\$ 5,455,000	\$ 2,820,000
Subtotal General Obligation Revenue Bonds						<u>8,275,000</u>	<u>8,275,000</u>	<u>5,455,000</u>	<u>2,820,000</u>
<u>General Obligation 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	\$ 965,000 (2009) 985,000 (2010) 1,050,000 (2011) 1,355,000 (2012) 2,560,000 (2013) 3,820,000 (2014) 4,735,000 (2015) 4,930,000 (2016) 5,125,000 (2017) 5,340,000 (2018) 5,560,000 (2019) 5,795,000 (2020) 6,050,000 (2021) 6,320,000 (2022) 6,600,000 (2023) 6,905,000 (2024) 7,225,000 (2025) 6,195,000 (2026)		83,735,000	83,735,000	2,220,000	81,515,000
Subtotal General Obligation Revenue Bonds						<u>83,735,000</u>	<u>83,735,000</u>	<u>2,220,000</u>	<u>81,515,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds (continued):</u>								
Wastewater Treatment	4.0, 4.125, 4.25	2/1/2007	12/1/2026	\$	(2009)	\$ 30,455,000	\$	\$ 30,455,000
Revenue Bonds 2007A	4.375, 5.0%			670,000	(2010)			
	(2/1; 8/1)			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)			
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	19,500,000
Subtotal General Obligation Revenue Bonds						19,500,000	19,500,000	19,500,000
Total General Obligation Revenue Bonds						141,965,000	141,965,000	134,290,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds:</u>								
Electric Utility Revenue Bonds, Series 2000	4.75% (6/1; 12/1)	12/1/2000	12/1/2030	\$ 830,000 (2009) 865,000 (2010) (3)	\$37,290,000	\$ 37,290,000	\$35,595,000	\$ 1,695,000
Subtotal Revenue Bonds					37,290,000	37,290,000	35,595,000	1,695,000
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	\$ 710,000 (2009) 740,000 (2010) 770,000 (2011) 805,000 (2012) 840,000 (2013) 875,000 (2014) 915,000 (2015) 960,000 (2016) 1,005,000 (2017)	11,275,000	11,275,000	3,655,000	7,620,000
Subtotal Revenue Bonds					11,275,000	11,275,000	3,655,000	7,620,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	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	\$ 220,000 (2009) 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	\$ 710,000	\$ 75,970,000
Subtotal Revenue Bonds					<u>76,680,000</u>	<u>76,680,000</u>	<u>710,000</u>	<u>75,970,000</u>
Total Revenue Bonds					<u>125,245,000</u>	<u>125,245,000</u>	<u>39,960,000</u>	<u>85,285,000</u>

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

December 31, 2008

	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	\$ 525,000 (2009) 580,000 (2010) 645,000 (2011) 715,000 (2012) 795,000 (2013) 880,000 (2014)	\$ 5,765,000	\$ 5,765,000	\$ 1,625,000	\$ 4,140,000
Subtotal Revenue Notes					<u>5,765,000</u>	<u>5,765,000</u>	<u>1,625,000</u>	<u>4,140,000</u>
<u>Revenue Notes:</u> Water Utility Note, Note of 2006	3.80% (12/1)	8/10/2006	12/1/2010	\$ 390,000 (2009) 410,000 (2010)	1,525,000	1,525,000	725,000	800,000
Subtotal Revenue Notes					<u>1,525,000</u>	<u>1,525,000</u>	<u>725,000</u>	<u>800,000</u>
Total Revenue Notes					<u>7,290,000</u>	<u>7,290,000</u>	<u>2,350,000</u>	<u>4,940,000</u>

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	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	\$ 400,994	(2009)	\$ 5,715,795	\$ 5,715,795	\$ 869,596	\$ 4,846,199
				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)				
Total Loan Payable						5,715,795	5,715,795	869,596	4,846,199
<u>Notes Payable:</u>									
Airport Hanger Note of 1999	0% (monthly)	12/31/1999	12/31/2009	18,472	(2009)	184,729	184,729	166,257	18,472
Subtotal Notes Payable						184,729	184,729	166,257	18,472

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Notes Payable (continued):</u>								
Airport Hanger Note of 2001	0% (monthly)	8/1/2002	8/1/2012	\$ 21,530 (2009) 21,530 (2010) 21,530 (2011) 14,354 (2012)	\$ 222,400	\$ 215,301	\$ 136,357	\$ 78,944
Subtotal Notes Payable					222,400	215,301	136,357	78,944
<u>Notes Payable:</u>								
Airport Hanger Note of 2006	0% (monthly)	11/1/2006	11/1/2016	26,394 (2009) 26,394 (2010) 26,394 (2011) 26,394 (2012) 26,394 (2013) 26,394 (2014) 26,394 (2015) 21,999 (2016)	263,944	263,944	57,188	206,756
Subtotal Notes Payable					263,944	263,944	57,188	206,756
Total Notes Payable					671,073	663,974	359,802	304,172
<u>Capital Lease Obligations</u>								
Electric Utility Capital Leases	4.46, 1.995% (Qtr., Monthly)	5/5/2006 11/5/2007	6/30/2006 12/9/2010	222,352 (2009) 228,252 (2010)	886,219	886,219	435,615	450,604
Total Capital Lease Obligations					886,219	886,219	435,615	450,604

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	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</u>								
Lease Revenue Bonds	4.70% (2/1; 8/1)	12/12/2007	2/1/2033	\$ 230,000 (2010)	\$ 9,900,000	\$ 9,900,000	\$	\$ 9,900,000
Series 2007				240,000 (2011)				
				255,000 (2012)				
				265,000 (2013)				
				280,000 (2014)				
				290,000 (2015)				
				305,000 (2016)				
				320,000 (2017)				
				335,000 (2018)				
				350,000 (2019)				
				365,000 (2020)				
				385,000 (2021)				
				400,000 (2022)				
				420,000 (2023)				
				440,000 (2024)				
				460,000 (2025)				
				485,000 (2026)				
				505,000 (2027)				
				530,000 (2028)				
				555,000 (2029)				
	580,000 (2030)							
	605,000 (2031)							
	635,000 (2032)							
	665,000 (2033)							
Subtotal Economic Development								
Authority Revenue Bonds					9,900,000	9,900,000		9,900,000

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF DEBT MATURITIES (CONTINUED)
December 31, 2008

	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					6,700,000	6,700,000		6,700,000
Total Economic Development Authority Revenue Bonds					16,600,000	16,600,000		16,600,000
TOTAL DEBT PAYABLE					\$ 306,141,587	\$ 306,035,368	\$ 52,683,472	\$ 253,351,896

- (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.

CITY OF ROCHESTER, MINNESOTA
SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS
For the Year Ended December 31, 2008

	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	\$ 4,020,199	\$ 253,061	\$ 281,933	\$ 825,911	\$ 2,757	\$ 9	\$ 8,938	\$ 5,392,808
Public Safety								
Police	11,395,352	1,367,804	216,110	2,267,060	55,853	951	24,095	15,327,225
Communications	1,326,335	85,351	97,051	280,431	587		4,003	1,793,758
Fire	7,743,282	978,114	105,003	1,489,605	40,711		3,616	10,360,331
Fire Hazmat Response Team	5,883	759	60		22			6,724
Building Safety	1,740,087	111,036	126,561	403,834	1,454		1,068	2,384,040
Animal Control	180,364	11,636	13,474	49,161	1,043			255,678
Flood Control	129,069	6,510	9,496	14,091	569	4,763		164,498
Public Works	5,314,813	350,260	385,851	1,107,052	32,521		7,065	7,197,562
Music	265,070	16,943	19,106	60,248	160		753	362,280
Library	3,390,204	208,086	252,155	572,247	3,462	429	8,708	4,435,291
Park and Recreation	5,061,810	276,466	370,674	968,152	28,413	24,766	2,243	6,732,524
TOTAL	\$ 40,572,468	\$ 3,666,026	\$ 1,877,474	\$ 8,037,792	\$ 167,552	\$ 30,918	\$ 60,489	\$ 54,412,719
<u>Proprietary Fund Types</u>								
Parking	\$ 240,751	\$ 15,315	\$ 17,654	\$ 62,619	\$ 1,598	\$	\$ 550	\$ 338,487
Electric Utility	13,574,807	859,250	992,746	2,475,165	35,666	1,315	4,665	17,943,614
Water Utility	1,279,159	82,013	96,606	273,062	16,434		260	1,747,534
Sewer Utility	2,070,012	132,417	151,085	552,659	13,101		1,085	2,920,359
Storm Water Utility	355,425	22,385	26,967	51,368	270		840	457,255
TOTAL	\$ 17,520,154	\$ 1,111,380	\$ 1,285,058	\$ 3,414,873	\$ 67,069	\$ 1,315	\$ 7,400	\$ 23,407,249

(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, 2008

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.	103
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	110
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.	115
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.	121
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.	124

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.

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

	Fiscal Year			
	2008	2007	2006	2005
Expenses				
Governmental activities:				
General government	\$ 7,474,607	\$ 6,878,399	\$ 6,487,386	\$ 6,064,465
Public safety	36,879,979	33,168,820	31,767,951	28,164,368
Public works	18,064,883	18,210,209	14,268,684	12,249,412
Airport	6,204,997	5,432,334	4,387,112	5,457,037
Transit	4,463,679	3,500,207	3,270,811	3,297,701
Culture	7,830,377	7,023,517	6,611,227	6,443,821
Park and recreation	14,899,915	13,505,054	14,034,860	14,436,903
Economic development/tourism	3,168,068	8,367,880	3,834,472	3,560,176
Community reinvestment/unallocated	1,351,984	350,641	4,708,895	939,928
Interest on long-term debt	1,194,906	747,424	988,639	870,516
Total governmental activities expenses	<u>101,533,395</u>	<u>97,184,485</u>	<u>90,360,037</u>	<u>81,484,327</u>
Business-Type activities:				
Parking	3,520,547	3,327,342	3,088,091	3,138,080
Electric utility	132,989,378	138,769,304	117,966,938	97,352,275
Water utility	6,950,672	6,921,476	6,765,775	6,096,397
Sewer utility	21,923,523	16,546,960	14,313,983	14,067,892
Storm water utility	2,852,576	2,809,129	3,031,398	2,524,057
Total business-type activities expenses	<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>\$ 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	\$ 471,410	\$ 475,122	\$ 445,062	\$ 440,710
Public safety	5,448,286	5,276,766	5,729,159	6,020,036
Public works	230,585	266,410	212,015	240,393
Airport	2,934,276	2,936,705	2,647,146	2,586,232
Transit	663,088	185,476	150,853	61,994
Culture	394,469	359,394	350,637	373,127
Park and recreation	6,221,588	5,664,465	5,212,280	5,295,126
Economic development/tourism	126,214	50,984	63,375	5,104
Operating grants and contributions	7,249,392	6,857,250	6,797,593	7,059,210
Capital grants and contributions	23,341,029	23,698,012	34,407,050	37,406,085
Total governmental activities program revenues	<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	4,512,354	4,191,797	3,876,103	3,670,386
Electric utility	147,462,166	156,772,451	130,723,369	112,432,402
Water utility	8,174,118	8,273,714	7,747,854	7,047,596
Sewer utility	13,646,680	13,234,276	11,394,102	10,208,056
Storm water utility	3,593,395	3,470,521	4,219,736	3,822,275
Operating grants and contributions				
Capital grants and contributions	5,123,882	2,066,552	5,510,770	13,946,513
Total business-type activities program revenues	<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>\$ 229,592,932</u>	<u>\$ 233,779,895</u>	<u>\$ 219,487,104</u>	<u>\$ 210,615,245</u>

Schedule 1

<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 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>
141,519,704	121,722,935	110,076,829
<u>\$ 194,468,140</u>	<u>\$ 172,794,451</u>	<u>\$ 154,674,967</u>

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

	Fiscal Year			
	2008	2007	2006	2005
Net (Expense) Revenue				
Governmental Activities	\$ (54,453,058)	(51,413,901)	\$ (34,344,867)	\$ (22,266,524)
Business-type activities	14,275,899	19,635,100	18,305,749	27,948,527
Total primary government net revenue	<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	\$ 37,734,057	\$ 35,000,100	\$ 32,917,358	\$ 29,975,840
Tax increments collection (refund)	1,590,432	1,299,451	1,191,508	1,234,488
Sales tax	9,594,526	9,720,049	9,196,080	8,767,156
Nonproperty taxes	4,773,328	4,685,569	4,391,370	4,028,109
Unrestricted grants and contributions	7,128,314	7,805,835	7,166,725	7,909,168
Interest earnings	6,132,448	6,680,418	5,623,033	3,797,186
Gain on disposition of property	401,516	1,719,959	108,549	
Net increase (decrease) in the fair value of investments	2,807,423	2,719,499	883,248	(607,192)
Miscellaneous	344,243	132,821	124,415	203,936
Transfers	6,809,616	1,830,010	10,414,727	8,324,956
Total governmental activities	<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	124,105	480,253	9,796	9,796
Interest earnings	4,435,397	5,692,584	3,292,735	3,187,157
Net increase (decrease) in the fair value of investments	303,115	819,635	326,437	(287,211)
Miscellaneous	(219,415)	(615,399)	1,351,962	283,893
Transfers	(6,809,616)	(1,830,010)	(10,414,727)	(8,324,956)
Total business-type activities	<u>(2,166,414)</u>	<u>4,547,063</u>	<u>(5,433,797)</u>	<u>(5,131,321)</u>
Total primary government	<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	\$ 22,862,845	20,179,810	\$ 37,672,146	\$ 41,367,123
Business-type activities	12,109,485	24,182,163	12,871,952	22,817,206
Total primary government	<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 SEVEN FISCAL YEARS
 (Accrual Basis of Accounting)

	Fiscal Year						
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 471,635,637	\$ 450,288,207	\$ 457,540,608	\$ 416,574,584	\$ 386,077,492	\$ 282,414,633	\$ 205,794,584
Restricted	41,620,652	34,132,247	35,318,787	41,810,285	32,353,633	31,162,798	51,472,992
Unrestricted	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>\$ 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	\$ 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	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>\$ 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	\$ 816,537,863	\$ 777,928,378	\$ 779,314,928	\$ 734,939,925	\$ 682,141,977	\$ 483,803,092	\$ 359,747,411
Restricted	41,620,652	36,264,832	38,786,160	42,470,672	32,595,241	31,625,777	51,982,038
Unrestricted	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>\$ 1,034,441,748</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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General fund										
Reserved	\$ 607,823	\$ 522,548	\$ 278,233	\$ 247,167	\$ 204,663	\$ 168,106	\$ 1,000,268	\$ 87,853	\$ 110,703	\$ 155,446
Unreserved	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	14,870,175
Total general fund	<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>	<u>15,025,621</u>
All other governmental funds										
Reserved	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	11,586,191
Unreserved, reported in:										
Special revenue funds	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	6,437,385
Capital projects funds	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	40,865,771
Total all other governmental funds	<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>	<u>58,889,347</u>
Total governmental funds	<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>	<u>\$73,914,968</u>

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

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
General property taxes	\$ 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	\$ 15,990,059
Tax increments collections (refund)	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	3,524,237
Sales tax	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	7,202,706
Special assessments	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	1,888,653
Utility connection and availability	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	4,404
Nonproperty taxes	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	2,220,108
Licenses and permits	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	2,588,584
Fines and forfeits	524,331	513,192	427,241	402,795	489,227	489,804	490,632	476,688	444,225	423,285
Intergovernmental revenues	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	24,024,813
Charges for services	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	7,485,728
Contributions in aid of construction	888,348	1,227,075	4,833,843	2,749,763	3,237,156	2,086,774	4,384,107			
Interest earnings	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	3,880,090
Net increase (decrease) in the fair value of investments	2,045,623	2,183,099	730,848	(489,892)	(465,593)	(699,075)	(135,125)	716,724	1,470,648	(1,572,945)
Miscellaneous revenues	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	2,965,683
Total Revenues	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	70,625,405
EXPENDITURES										
General government	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	4,013,736
Public safety	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	19,469,713
Public works	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	6,980,592
Airport operations	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	1,846,572
Transit	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	1,238,425
Culture	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	4,309,674
Park and recreation	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	7,678,182
Economic development/tourism	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	786,822
Community reinvestment and unallocated	633,038	352,345	469,416	284,907	196,943	411,960	667,048	313,907	327,287	217,714
Debt service										
Interest	874,312	808,672	1,204,347	871,820	1,044,521	1,493,986	1,910,709	2,079,614	1,168,545	640,866
Principal	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	2,399,887
Capital outlay	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	29,361,388
Total Expenditures	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	78,943,571
Excess (deficiency) of revenues over (under) expenditures	(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)	(8,318,166)
OTHER FINANCING SOURCES (USES)										
Proceeds from borrowing	9,200,000	9,900,000	5,979,739				2,505,252	968,722	27,625,000	506,029
Transfers in	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	12,334,517
Transfers out	(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)	(4,692,640)
Total other financing sources (uses)	24,266,863	19,317,779	20,919,339	12,958,166	12,191,273	9,406,351	11,073,230	9,382,894	38,345,415	8,147,906
Net change in fund balances	\$ (2,773,189)	\$ 24,390,193	\$ (6,936,819)	\$ 5,725,441	\$ 10,765,557	\$ (20,842,758)	\$ 1,655,026	\$ (5,089,702)	\$ 31,484,381	\$ (170,260)
Debt service as a percentage of noncapital expenditures	1.88%	10.89%	6.16%	1.96%	5.96%	25.84%	4.96%	5.48%	6.41%	6.22%

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

Payable Year	Real Property		Personal Property		Total Tax Capacity (1)	City Tax Rate %	Total Estimated Market Value (1)	% of Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value				
2000	\$ 59,455,277	\$ 3,444,768,100	\$ 654,431	\$ 19,503,400	\$ 60,109,708	30.840	\$ 3,464,271,500	1.74
					57,186,771		3,308,032,200	1.73
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

(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 Direct Rate	Overlapping Rates		
		Range of Tax Rates for Independent School Districts 531, 534 & 535	Olmsted County	Range of Total Direct and Overlapping Tax Rates
2000	30.840 %	54.760 - 60.084 %	46.645 %	132.245 - 137.569 %
2001	29.558	53.146 - 55.408	44.642	127.346 - 129.608
2002	41.376	27.961 - 33.274	58.608	127.945 - 133.258
2003	40.873	26.417 - 34.539	57.057	124.347 - 132.469
2004	40.743	25.966 - 36.121	55.782	122.491 - 132.646
2005	41.620	25.388 - 26.697	51.786	118.794 - 120.103
2006	41.672	23.695 - 24.881	50.831	116.198 - 117.384
2007	41.707	22.670 - 38.666	51.957	116.334 - 132.330
2008	42.455	21.801 - 37.766	52.454	116.710 - 132.675
2009	41.008	20.303 - 37.102	52.288	113.599 - 130.398

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)	2008			1999		
	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	\$5,041,949	1	5.30 %	\$ 5,011,739	1	9.18 %
MEPC-Apache Properties	940,058	2	0.99			
IBM Corporation	825,239	3	0.87	1,343,689	2	2.46
Sunstone SH Hotels	610,830	4	0.64	1,226,058	3	2.25
Mortenson Properties	477,958	5	0.50	430,084	6	0.79
NNN 3050 Superior LLC	438,858	6	0.46			
Leslie E Nelson	418,094	7	0.44	332,743	8	0.61
Rochester Development	400,375	8	0.42			
IRET Properties	329,856	9	0.35			
Grandville At Cascade Lake	269,386	10	0.28			
Dayton Hudson Corporation				308,424	9	0.56
General Growth-Apache Mall				1,177,534	4	2.16
BGD5 - Ltd Partnership				748,965	5	1.37
Seneca Foods				416,055	7	0.76
Wal-Mart Stores, Inc				276,441	10	0.51
TOTAL	<u>\$9,752,603</u>		<u>10.25 %</u>	<u>\$11,271,732</u>		<u>20.65 %</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		
1999	\$ 20,455,732	\$ 16,087,180	\$ 15,997,336	99.44%	\$ 77,011	\$ 16,074,347	99.92%	\$	0.00
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	258,203	22,768,415	99.57	(9,087)	(0.04)
2004	27,189,112	25,100,811	24,842,761	98.97	169,818	25,012,579	99.65	2,187	0.01
2005	32,370,616	30,167,456	29,854,020	98.96	137,145	29,991,165	99.42	22,834	0.08
2006	35,159,505	32,947,173	32,528,890	98.73	246,939	32,775,829	99.48	37,193	0.11
2007	37,438,500	35,219,727	34,649,500	98.38	315,379	34,964,879	99.28	84,585	0.24
2008	39,965,404	37,769,398	37,245,742	98.61		37,245,742	98.61	445,725	1.18

(1) Tax Levy adjusted for HACA in 1999-2001 and market value credit in 2002-2008.

(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>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>	<u>1999</u>
Residential	328	343	334	327	300	305	303	281	267	262
General Service	641	641	624	609	593	601	608	589	565	531
Industrial Service	307	308	293	286	271	250	243	242	245	233
Street & Highway Lighting	6	7	7	7	7	7	7	7	7	7
Rental Lights	1	1	1	1	1	1	1	1	0	0
Interdepartmental Service	8	9	9	8	8	9	8	8	8	8
Total KWH	1,291	1,309	1,268	1,238	1,180	1,173	1,170	1,128	1,092	1,041
Total direct rate per Kilowatt Hour	\$ 0.092	\$ 0.089	\$ 0.081	\$ 0.073	\$ 0.071	\$ 0.069	\$ 0.069	\$ 0.067	\$ 0.067	\$ 0.065

Water (in millions of gallons) <u>Type of Customer</u>	Fiscal Year									
	<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>	<u>1999</u>
Residential	2,297	2,379	2,375	2,246	2,058	2,479	2,116	2,134	2,026	1,903
Commercial Service	1,617	1,654	1,594	1,543	1,484	1,579	1,533	1,527	1,466	1,410
Industrial Service	462	534	575	524	577	525	588	759	812	1,047
Interdepartmental Service	161	198	136	111	189	82	34	41	42	47
Total gallons	4,537	4,765	4,680	4,424	4,308	4,665	4,271	4,461	4,346	4,407
Total direct rate per 1,000 gallons	\$ 1.655	\$ 1.606	\$ 1.529	\$ 1.474	\$ 1.395	\$ 1.279	\$ 1.259	\$ 1.214	\$ 1.107	\$ 1.012

Sanitary Sewer (in millions of gallons) <u>Type of Customer</u>	Fiscal Year									
	<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>	<u>1999</u>
Residential	1,640	1,586	1,637	1,622	1,640	1,690	1,653	1,587	1,578	1,518
Commercial	1,787	1,683	1,787	1,703	1,725	1,739	1,807	1,806	1,769	1,703
Industrial	638	697	722	689	981	982	951	1,086	1,015	1,566
Total gallons	4,065	3,966	4,146	4,014	4,346	4,411	4,411	4,479	4,362	4,787
Total direct rate per 1,000 gallons	\$ 2.287	\$ 2.096	\$ 1.895	\$ 1.744	\$ 1.673	\$ 1.702	\$ 1.660	\$ 1.620	\$ 1.581	\$ 1.542

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	Airport Hangar Notes	REDA Lease Revenue Bonds	Energy Improvement Loan	Total Governmental Activities Debt
1999	\$	\$	\$10,606,025	\$ 329,248	\$	\$	\$ 10,935,273
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

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

- 1 City issued \$49,955,000 Waste Water Revenue Bonds and \$76,680,000 of Electric Utility Bonds (\$30,165,000 to retire Series 2000A Electric Utility Bond).
- 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.

Business-Type Activities

Electric/Water Revenue Bonds/Notes	Wastewater Utility Bonds	Electric Notes Payable	Total Business Activities Debt ¹	Total Primary Government Debt ²	Percentage of Personal Income	Per Capita
\$	\$ 9,450,000	\$ 800,000	\$ 10,250,000	\$ 21,185,273	0.80%	\$ 258
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	N/A	2,469

**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	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
1999	\$	\$ 10,606,025	\$ 329,248	\$ 9,450,000	\$ 20,385,273	\$ (256,293)	\$ 20,128,980	0.58	\$ 245
2000	27,625,000	8,419,380	293,243	8,875,000	45,212,623	(3,705)	45,208,918	1.16	527
2001	28,383,673	7,444,380	467,287	8,275,000	44,570,340	(3,056)	44,567,284	0.98	502
2002	30,883,673	6,358,611	429,357	7,620,000	45,291,641	(3,056)	45,288,585	0.87	496
2003	12,857,673	5,206,761	371,822	6,890,000	25,326,256	(642)	25,325,614	0.44	272
2004	12,753,673	2,603,879	314,287	89,855,000	105,526,839	(549)	105,526,290	1.64	1,113
2005	12,446,673	2,547,435	256,752	89,070,000	104,320,860		104,320,860	1.48	1,073
2006	9,353,130	2,465,264	458,762	87,920,000	100,197,156	(107,469)	100,089,687	1.33	1,015
2007	1,965,000	2,378,511	374,832	136,105,000	140,823,343	(241,256)	140,582,087	1.77	1,394
2008	4,349,000	2,286,921	304,172	134,290,000	141,230,093	(772,422)	140,457,671	1.67	N/A

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, 2008

<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	\$ 30,836,960	0.27%	\$ 83,260
Independent School District #534	13,340,613	9.93%	1,324,723
Independent School District #535	100,079,605	84.20%	84,267,027
Other debt			
Olmsted County	43,420,074	71.12%	30,880,357
Independent School District #534	1,095,632	9.93%	<u>108,796</u>
Subtotal, overlapping debt			116,664,163
City direct debt	28,386,293		<u>28,386,293</u>
Total direct and overlapping debt			<u><u>\$ 145,050,456</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 2008

Market Value	\$ 8,412,973
Debt Limit (2% of market value)	<u>168,259</u>
Debt applicable to limit:	
Energy improvement loan	4,846
Less: Amount set aside for repayment of energy improvement loan	<u>(306)</u>
Total net debt applicable to limit	<u>4,540</u>
Legal debt margin	<u>\$ 163,719</u>

	Fiscal Year									
	<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>	<u>1999</u>
Debt limit	\$168,259	\$158,731	\$151,077	\$140,741	\$128,387	\$ 114,957	\$103,662	\$ 90,917	\$ 77,843	\$69,285
Total net debt applicable to limit	<u>4,540</u>	<u>4,990</u>	<u>5,609</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Legal debt margin	\$163,719	\$153,741	\$145,468	\$140,741	\$128,387	\$ 114,957	\$103,662	\$ 90,917	\$ 77,843	\$69,285
Total net debt applicable to the limit as a percentage of debt limit	2.70%	3.14%	3.71%	0.00%	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	
1999	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2000												
2001	90,193	82,330	7,864	575	1,913	3.16						
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
2007	156,772	120,945	35,827	2,335	3,252	6.41	8,274	5,230	3,044	355	72	7
2008	147,462	129,655	17,807	2,165	4,202	2.80	8,174	5,248	2,926	370	55	6.88
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	
1999	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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

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>
1999	82,019	\$ 2,654,053	\$ 32,359	15,568	2.1%
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		N/A	16,181	5.4

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	2007			1999		
	Employees	Rank	Percentage of Total City Employment ⁽¹⁾	Employees	Rank	Percentage of Total City Employment
Mayo Clinic	31,539	1	28.74%	N/A	N/A	N/A
IBM	4,200	2	3.83%	N/A	N/A	N/A
Rochester Public Schools	2,293	3	2.09%	N/A	N/A	N/A
Olmsted County	1,270	4	1.16%	N/A	N/A	N/A
Olmsted Medical Center	1,070	5	0.98%	N/A	N/A	N/A
Wal-Mart/Sam's Club	917	6	0.84%	N/A	N/A	N/A
Hy-Vee Food Stores	900	7	0.82%	N/A	N/A	N/A
City of Rochester	843	8	0.77%	N/A	N/A	N/A
Charter Communications	686	9	0.63%	N/A	N/A	N/A
Sunstone Hotel Properties	585	10	0.53%	N/A	N/A	N/A

(1) Bureau of Economic Analysis -
 Rochester MSA 2007 employment

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

<u>Function</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>	<u>1999</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	2.00	2.00	2.00	2.00
Central Business District Maintenance	0.67									
City Clerk/Elections/Parking Ticket Coll.	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00
Finance	11.00	11.00	11.00	11.00	10.00	11.00	11.00	11.00	11.00	11.00
City Attorney	11.00	11.00	11.00	11.00	10.00	10.00	10.00	9.00	9.00	8.00
Human Resources	8.00	7.17	7.00	6.00	6.00	7.00	7.00	6.63	5.50	5.50
Information Systems	10.00	10.00	10.00	9.00	7.00	9.00	9.00	9.00	8.00	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	62.67	61.17	61.00	59.00	55.00	59.00	60.00	57.63	55.50	54.50
Police	156.50	151.00	145.00	141.33	138.00	143.00	139.00	135.00	135.00	126.50
Public Safety Communications	25.00	25.00	26.00	25.00	25.00	25.00	25.00	25.00	22.20	22.40
Fire	107.67	107.00	107.00	104.00	103.58	105.00	105.00	100.00	95.00	94.00
Building Safety	26.00	26.00	26.00	26.00	25.00	25.00	25.00	22.00	20.00	19.50
Animal Control	4.00	4.00	3.00	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		
Public Safety	321.17	315.00	309.00	301.33	296.58	303.00	299.00	287.00	275.20	265.40
Engineering	35.83	35.00	35.00	33.00	33.00	37.00	37.50	36.50	34.50	33.50
Traffic	9.00	9.00	10.00	8.00	8.00	9.00	10.00	9.00	9.00	9.00
Street and Alley	45.00	44.25	44.00	43.75	41.00	44.00	42.00	41.00	40.00	38.00
Public Works	89.83	88.25	89.00	84.75	82.00	90.00	89.50	86.50	83.50	80.50
Music	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Library	52.58	51.75	51.75	50.25	50.25	51.00	50.50	48.00	47.00	47.00
Total Culture	56.58	55.75	55.75	54.25	54.25	55.00	54.50	52.00	50.00	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	11.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00	11.00
Tennis Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Volleyball Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Graham Arenas	2.83	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.00	1.00
Parks	28.00	28.00	28.00	28.00	26.75	28.00	26.50	26.50	27.00	26.00
Recreation Center	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Mayo Civic Center	13.83	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00
Parks and Recreation	71.66	69.00	69.00	69.00	67.75	71.00	69.00	69.00	68.00	66.00
Total Governmental Activities	601.91	589.17	583.75	568.33	555.58	578.00	572.00	552.13	532.20	516.40
Parking Administration/Operations	4.00	4.00	4.00	4.00	5.00	4.00	4.00	4.00	4.00	4.00
Electric Utility	186.00	181.00	181.00	176.00	172.00	172.00	170.00	164.00	165.00	163.00
Water Utility	19.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	19.00	18.00
Sewer Utility	38.00	37.50	36.00	37.00	37.00	36.00	36.50	36.50	34.50	34.50
Storm Water Utility	6.00	6.00	6.00	5.00	5.00					
Total Business Activities	253.00	248.50	247.00	242.00	239.00	232.00	230.50	223.50	222.50	219.50
Totals for Organization	854.91	837.67	830.75	810.33	794.58	810.00	802.50	775.63	754.70	735.90

Source: City's Adopted Budgets

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

Function/Program	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Part I crimes	3,183	2,835	2,826	2,743	2,873	3,282	3,023	3,483	2,612	2,737
Part II crimes	4,143	4,037	3,903	3,813	4,049	4,331	4,425	4,322	3,866	3,822
Arrests	3,757	3,692	3,350	3,646	4,089	4,492	4,425	4,220	4,641	4,794
Fire										
Total emergency responses	7,719	7,542	6,661	6,543	6,124	5,648	5,669	5,728	4,951	5,187
EMS responses	5,096	4,449	4,481	3,871	3,486	3,136	3,340	3,597	3,414	3,302
Fire responses	232	283	268	200	245	284	233	245	336	352
Public Works										
Streets resurfaced (miles)	17	7	20	27	30	27	45	31	31	25
Residential snow plowing (miles)	4,320	4,320	4,010	4,050	4,000	3,900	3,975	4,000	3,950	3,800
Airport										
Airline passengers	297,857	319,233	296,889	283,113	277,504	278,990	298,500	295,619	310,164	319,745
Air cargo (millions of pounds)	18.43	29.07	28.90	29.60	34.20	31.50	27.50	25.00	23.50	22.20
Transit										
Passengers (millions)	1.77	1.55	1.43	1.43	1.17	1.20	1.21	1.17	1.05	1.00
Route miles (thousands)	1,084	990	953	940	970	951	903	882	782	740
Library										
Annual circulation (millions)	1.60	1.51	1.47	1.48	1.40	1.38	1.23	1.14	1.07	1.06
Park & Recreation										
Rounds of golf played	96,905	91,484	105,076	90,298	136,000	132,000	136,000	132,000	140,963	135,000
Hours of arena ice rentals	8,000	8,000	2,810	2,900	2,695	2,900	2,695	2,860	2,825	2,820
Civic center event-days	1,480	1,203	1,279	1,348	1,337	1,002	1,301	1,630	2,521	1,441
Electric Utility										
Number of customers	47,407	46,954	46,433	45,586	44,545	43,359	42,295	41,150	39,356	38,261
Average daily consumption (megawatt hours)	3,537	3,584	3,470	3,393	3,232	3,214	3,206	3,093	3,028	2,853
Water Utility										
Number of customers	36,413	36,070	35,527	34,761	33,756	32,721	31,629	30,504	29,256	28,285
Average daily consumption (millions of gallons)	12.43	13.05	12.80	12.12	11.80	12.78	11.70	12.22	11.91	12.08
Sanitary Sewer Utility										
Gallons of wastewater treated annually (millions of gallons)	4,847	5,030	4,904	4,914	5,333	4,805	5,006	4,721	4,475	5,175

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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	5	4	4	4	4	4	4	4	3	3
Public Works										
Streets (miles)	507	502	500	483	468	456	440	425	410	380
Intersections w/traffic signals	139	137	139	141	133	130	127	127	123	119
Street lights	9,085	9,045	8,814	8,299	7,667	7,606	7,329	6,989	6,791	6,351
Storm sewer (miles)	264	262	261	254	228	215	202	179	172	161
Airport										
9,033' x 150' No./So. runway	1	1	1	1						
7,533' x 150' No./So.runway					1	1	1	1	1	1
7,300' x 150' E/W runway	1	1	1	1	1	1	1	1	1	
5,200' x 150' E/W runway										1
Transit										
Transit buses	44	44	56	56	46	43	35	35	30	30
Bus shelters	60	60	60	60	60	59	59	59	53	53
Library										
Holdings (thousands)	438	429	435	439	401	370	355	343	337	328
Park & Recreation										
Acres of parkland	3,093	3,060	3,045	3,030	3,015	3,107	2,915	2,867	2,647	2,600
Number of parks	103	101	99	96	94	92	80	77	73	73
Number of golf courses	4	4	4	4	4	4	4	4	4	4
Electric Utility										
Miles of distribution line	717	709	697	678	679	652	631	598	575	547
Water Utility										
Miles of watermain	566	562	557	543	528	487	491	441	424	397
Number of fire hydrants	6,693	6,598	6,554	6,361	6,189	5,823	5,610	5,342	5,121	4,798
Sanitary Sewer Utility										
Miles of sanitary sewer	467	467	466	456	455	436	394	361	349	339
Treatment capacity (thousands of gallons)	23,850	23,850	19,100	19,100	19,100	19,100	19,100	19,100	19,100	19,100
Area of City (square miles)	53.41	51.89	51.44	50.90	49.26	48.87	46.50	43.40	43.09	40.01

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