

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Rochester, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota as of December 31, 2024, and the respective changes in financial position, cash flows, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the electric and water enterprise funds, both of which are major enterprise funds, which represent 59 percent, 51 percent, and 80 percent, respectively of the total assets and deferred outflows of resources, net position, and revenues of the business-type activities. We did not audit the financial statements of the Destination Medical Center Corporation (DMCC) (a blended component unit), which represent 0.8 percent, 0 percent, and 0 percent, respectively, of the total assets, fund balance, and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the electric and water enterprise funds and the DMCC, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of a Matter

As discussed in Note 1, the City adopted the provisions of GASB Statement No. 101, Compensated Absences, effective January 1, 2024. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2025 on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rochester, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
June 18, 2025

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, 2024, with comparative data for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, found on pages i - v of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Rochester exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,057,419,108 (*net position*). Of this amount, \$348,185,222 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$189,503,996.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$403,625,160, an increase of \$66,026,678 in comparison with the prior year. Approximately 13 percent of this total amount, or \$51,863,246, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$56,170,791 or approximately 50.2 percent of total general fund expenditures. This is above the City's target of 42 percent of expenditures.
- The City of Rochester increased total outstanding long-term debt obligations by \$632,794 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Additional explanation of these sections of the financial statements follows.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

The government-wide financial statements can be found on pages 20-22 of this report.

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

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

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

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds (continued). The City of Rochester maintains twenty-two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvement fund, both of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided with the *combining statements* on pages 103-113 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 27-28) and the special revenue funds (pages 107-113) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 23-28 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, its management information systems, and certain retirement benefits. Because all of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 29-36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-97 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 103-118 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rochester, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$2,057,419,108 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net position (72 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Rochester uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rochester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Rochester's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 511,982,088	\$ 433,142,913	\$ 343,892,843	\$ 320,355,588	\$ 855,874,931	\$ 753,498,501
Capital assets	938,215,730	888,411,515	769,838,041	738,956,624	1,708,053,771	1,627,368,139
Total assets	<u>1,450,197,818</u>	<u>1,321,554,428</u>	<u>1,113,730,884</u>	<u>1,059,312,212</u>	<u>2,563,928,702</u>	<u>2,380,866,640</u>
Deferred outflows of resources	50,938,239	64,680,401	3,553,297	5,940,842	54,491,536	70,621,243
Total assets and deferred outflows of resources	<u>1,501,136,057</u>	<u>1,386,234,829</u>	<u>1,117,284,181</u>	<u>1,065,253,054</u>	<u>2,618,420,238</u>	<u>2,451,487,883</u>
Long-term liabilities						
outstanding	142,061,164	135,959,925	180,655,842	188,838,357	322,717,006	324,798,282
Other liabilities	96,490,280	109,136,109	35,895,332	39,344,674	132,385,612	148,480,783
Total liabilities	<u>238,551,444</u>	<u>245,096,034</u>	<u>216,551,174</u>	<u>228,183,031</u>	<u>455,102,618</u>	<u>473,279,065</u>
Deferred inflows of resources	70,207,544	72,469,875	35,690,968	37,823,831	105,898,512	110,293,706
Total liabilities and deferred inflows of resources	<u>308,758,988</u>	<u>317,565,909</u>	<u>252,242,142</u>	<u>266,006,862</u>	<u>561,001,130</u>	<u>583,572,771</u>
Net position:						
Net investment in capital assets	878,546,540	767,991,393	605,357,170	566,598,543	1,483,903,710	1,334,589,936
Restricted	224,663,045	179,403,815	667,131	644,215	225,330,176	180,048,030
Unrestricted	89,167,484	121,273,712	259,017,738	232,003,434	348,185,222	353,277,146
Total net position	<u>\$ 1,192,377,069</u>	<u>\$ 1,068,668,920</u>	<u>\$ 865,042,039</u>	<u>\$ 799,246,192</u>	<u>\$ 2,057,419,108</u>	<u>\$ 1,867,915,112</u>

An additional portion of the City of Rochester's net position (11.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$348,185,222) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Rochester is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

Governmental activities. Governmental activities increased the City of Rochester's net position by \$123,708,149. Most of this increase can be attributable to the capital grants and contributions (primarily airport grants for the runway expansion project and state grants for Destination Medical Center capital projects). Additional net position growth resulted from operating grants and contributions, including Police and Fire state aid, increased local government aid, increased property taxes due to a rate increase, and unused contingency.

Business-type activities. Business-type activities increased the City of Rochester's net position by \$65,795,847. This increase is due to contributions of assets in the storm water, sewer, electric utilities, and water utilities. The increase can also be attributed to program revenues, which increased due to rate increases exceeding expenses in all business activities.

A condensed version of the Statement of Activities follows:

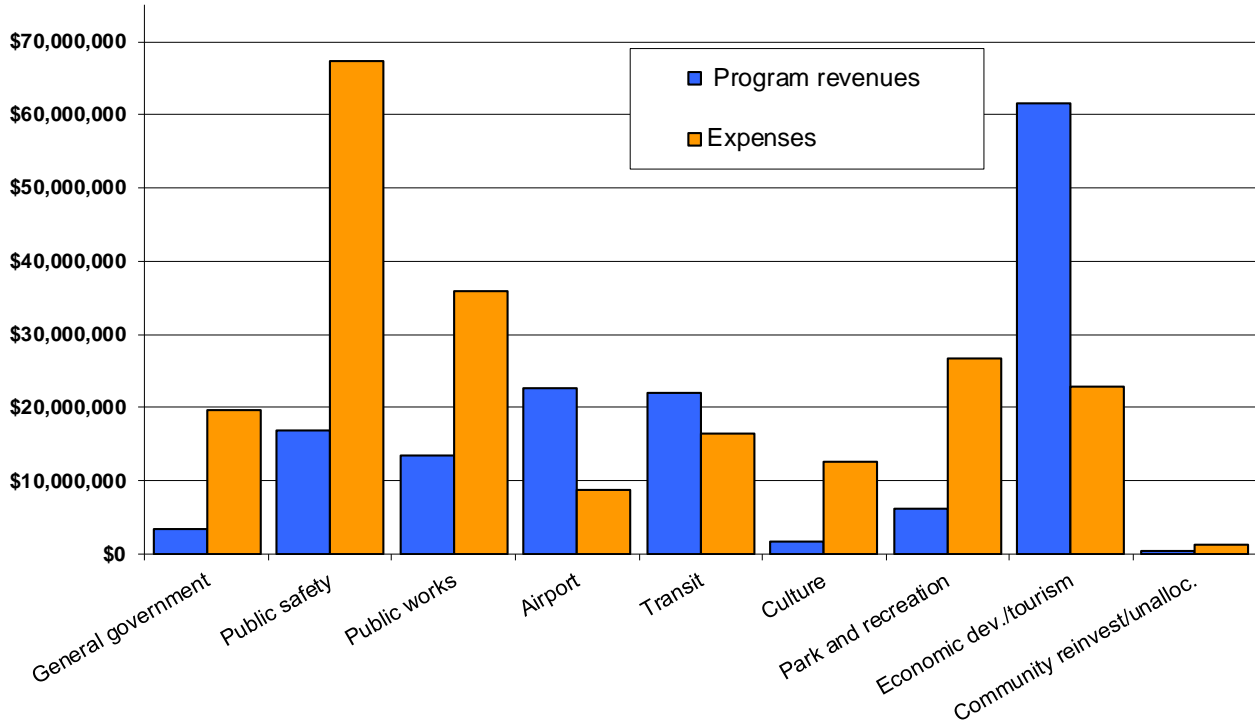
City of Rochester's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program revenues:						
Charges for services	\$ 29,327,527	\$ 26,398,250	\$ 259,051,334	\$ 250,982,967	\$ 288,378,861	\$ 277,381,217
Operating grants and contributions	24,545,918	27,585,300			24,545,918	27,585,300
Capital grants and contributions	94,585,077	63,576,479	15,856,685	15,355,118	110,441,762	78,931,597
General revenues:						
Property taxes	103,955,817	93,565,999			103,955,817	93,565,999
Other taxes	46,214,019	46,102,295			46,214,019	46,102,295
Grants and contributions not restricted to specific programs						
Local government aid	5,026,033	3,958,994			5,026,033	3,958,994
Other	9,060	10,356			9,060	10,356
Miscellaneous	19,489,721	18,182,927	11,500,775	11,262,235	30,990,496	29,445,162
Total revenues	<u>323,153,172</u>	<u>279,380,600</u>	<u>286,408,794</u>	<u>277,600,320</u>	<u>609,561,966</u>	<u>556,980,920</u>
Expenses:						
General government	19,589,518	21,133,440			19,589,518	21,133,440
Public safety	67,413,534	72,852,302			67,413,534	72,852,302
Public works	35,813,770	33,526,923			35,813,770	33,526,923
Airport	8,652,104	8,140,228			8,652,104	8,140,228
Transit	16,377,266	14,914,565			16,377,266	14,914,565
Culture	12,586,414	13,267,738			12,586,414	13,267,738
Park and recreation	26,802,989	23,139,996			26,802,989	23,139,996
Economic development/tourism	22,950,281	16,735,567			22,950,281	16,735,567
Community reinvestment/unallocated	1,257,265	1,019,784			1,257,265	1,019,784
Interest on long-term debt	3,885,360	3,646,040			3,885,360	3,646,040
Parking			6,635,646	6,515,825	6,635,646	6,515,825
Electric			163,892,177	162,277,471	163,892,177	162,277,471
Water			11,794,394	12,259,099	11,794,394	12,259,099
Sewer			14,788,907	16,222,419	14,788,907	16,222,419
Storm water			7,618,345	7,104,468	7,618,345	7,104,468
Total expenses	<u>215,328,501</u>	<u>208,376,583</u>	<u>204,729,469</u>	<u>204,379,282</u>	<u>420,057,970</u>	<u>412,755,865</u>
Increase in net position before transfers	107,824,671	71,004,017	81,679,325	73,221,038	189,503,996	144,225,055
Transfers	15,883,478	8,746,521	(15,883,478)	(8,746,521)		
Increase in net position	123,708,149	79,750,538	65,795,847	64,474,517	189,503,996	144,225,055
Net position - beginning of year	1,068,668,920	988,918,382	799,246,192	734,771,675	1,867,915,112	1,723,690,057
Net position, end of year	<u>\$ 1,192,377,069</u>	<u>\$ 1,068,668,920</u>	<u>\$ 865,042,039</u>	<u>\$ 799,246,192</u>	<u>\$2,057,419,108</u>	<u>\$ 1,867,915,112</u>

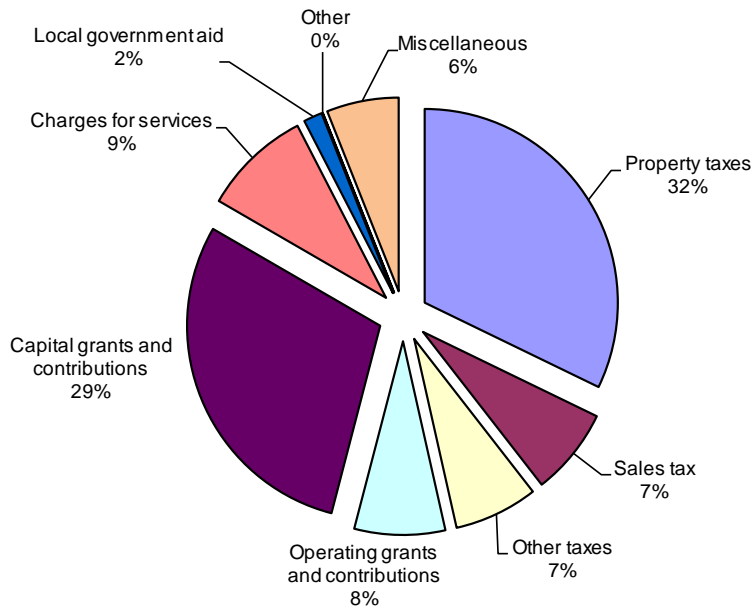
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Expenses and Program Revenues - Governmental Activities



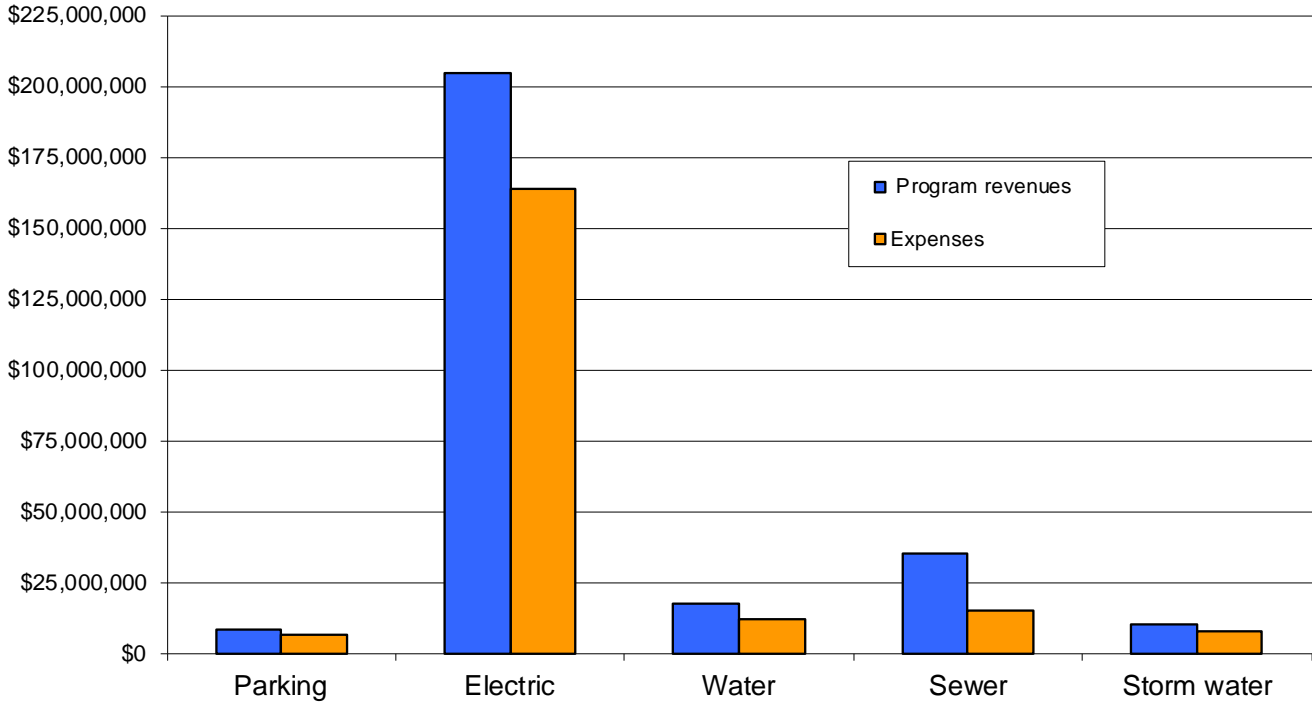
Revenues by Source - Governmental Activities



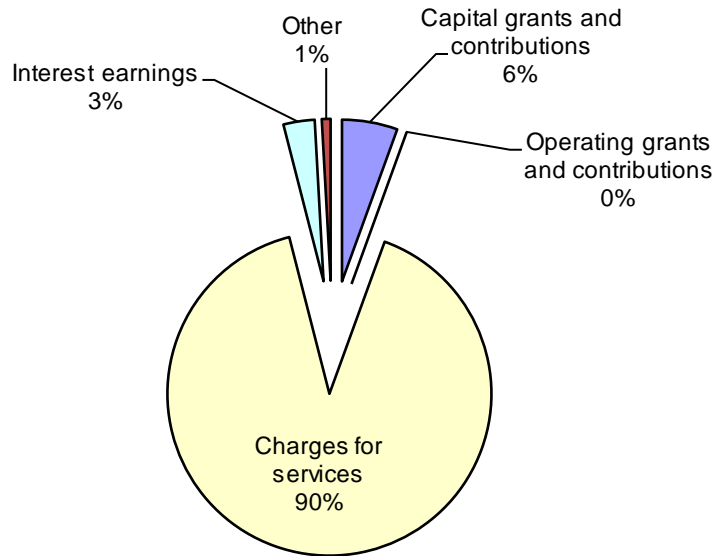
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all five of these activities require significant physical assets to operate, any excess revenues are held for planned capital improvements to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

Financial Analysis of the Government's Funds

As noted earlier, the City of Rochester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Rochester's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rochester's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are classified as follows:

Nonspendable – represents the portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items, and inventory.

Restricted – resources that have external constraints placed upon their use.

Committed – resources committed for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – amount available for any purpose. However, only the General Fund may report a positive unassigned fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications is found in Note 3 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$403,625,160, an increase of \$66,026,678 from the prior year. The general fund increased fund balance by \$3.1 million due to increased property taxes, license and permit revenues, and local government aid along with operational savings in various departments, and remaining contingency balance. The capital improvement fund increased fund balance by \$58.2 million, largely due to state funding for Destination Medical Center and issuance of debt for the replacement of the City's energy system. Additionally, all other governmental funds reflected a net increase of \$4.7 million in fund balance, largely showing up in the Airport fund as passenger activity continues to grow and Energy System Replacement debt service in preparation for the upcoming debt service payments.

Approximately 13 percent of the total fund balance, or \$51,863,246, constitutes unassigned fund balance, which is available for spending at the government's discretion, \$1,332,063 is considered to be nonspendable (prepaid or inventory), \$220,523,992 has been restricted by grantors, donors, debt covenants, or regulation, \$111,601,609 has been committed by council action for CIP projects, and \$18,304,250 represents assigned fund balance, the portion of fund balance that reflects the amounts the City intends to use for a specific purpose.

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

Governmental funds (continued).

The general fund is the chief operating fund of the City of Rochester. The general fund increased its total fund balance by \$3,134,268 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$53,787,788 while total fund balance amounted to \$57,452,514. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 48 percent of total general fund expenditures, while total fund balance represents 51 percent of that same amount. The City's financial policies set a target of five months of total expenditures, or 42 percent.

The library fund increased its fund balance by \$171,505 for the year. Much of this increase was the result of new gift appropriations. Additionally, operational expenditures were held \$277,350 below the approved budget.

The municipal recreation fund increased its fund balance by \$446,486 as charges for services were greater than expected and operational savings in Administration, Park, and Plummer House has savings offsetting the losses in other divisions. Charges for services have seen an increase due to planned increases in fees and an increase in facility usage.

The Mayo Civic Center fund increased its fund balance by \$25,494, which can be attributed to an increase in fair value of investments and interest earnings. The Mayo Civic Center operations are no longer reflected as revenues and expenditures of the City. Beginning January 1, 2020, the City contracted with the Rochester Convention and Visitors Bureau to manage operations of the facility. The expenditures related to the management contract with the Rochester Convention and Visitors Bureau are now reported in the general fund.

The airport fund increased its total fund balance by \$1,578,833 for the year to \$13,702,469, which can be attributed to an increase in charges for services, rental revenues exceeding budget and continued grant support from the pandemic. The charges for services increase can be attributed to an increase in passengers during 2024. Additionally, Council provided \$586,352 in budgeted tax levy for the airport in 2024 and there were no transfers to capital improvement projects.

The transit fund saw an increase in fund balance of \$568,557 due to an increase in grant revenue, which was greater than the increase in expenditures, decrease in ridership, and an increase in transfers out for capital improvement needs.

Minnesota Bio Science Center fund increased fund balance by \$230,918, after \$929,614 was transferred out for debt service. The facility continues to maintain a consistently high occupancy level.

Debt service fund balances increased by \$1,279,259. This is primarily attributed to the accumulation of reserves for payments on the Energy System Replacement bond.

The capital improvement fund increased fund balance by \$58,151,443 due to state funding received for Destination Medical Center and issuance of debt for the replacement of the City's energy system. As the investment in Destination Medical Center projects have grown, so has the amount received from the State to support the plan developed in 2013.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. The City of Rochester's *proprietary funds* statements found on pages 29-36 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Parking - \$18,300,674 Electric - \$135,518,852, Water - \$15,050,892, Sewer - \$57,492,478, and Storm Water - \$32,457,055. Electric, Water, Sewer, and Storm Water all reported increases in total net position for the year, while Parking reported a decrease in total net position for the year.

The Sewer Utility reported a \$18.6 million increase in net position for the year. Sewer related development revenues were up from 2023. Sewer Utility's rates were increased based upon a rate study completed during 2021, and the City Council adopted a six-year schedule of rate adjustments through 2027. In addition, the "plant investment fee" was increased to \$4,050 in 2024. The schedule of rate increases was necessary as sewer flows continued to fall below plan and funding is needed for significant capital needs. In addition, the expenses were down slightly in 2024 from 2023 due to lower maintenance and repair costs.

The Water Utility's net position increased \$6.1 million in 2024 due in part to increased revenues while expenses held steady. The utility's rates increased 5.5% in 2024 and in January 2025. A water utility cost of service study was completed in 2022, with the Utility board and City Council accepting a five-year schedule of rate adjustments.

The Electric Utility net position increased \$35.6 million in 2024. This utility's rates increased 3.2% in 2024 and increased 4.0% in January 2025. A cost-of-service study was completed in 2023, with the Utility Board and City Council accepting a five-year schedule of rate adjustments. Expenses also increased partially due to an increase in purchased power as a result of Southern Minnesota Municipal Power Association decreasing the base rate of power used in the calculation of the energy cost adjustment.

The Parking Enterprise's net position decreased \$58,729. Parking revenues increased during 2024 while there was also an increase in transfers out. During 2024, the City Council approved a rate study which makes various recommendations for rates and future improvements.

The Storm Water Utility's net position increased \$4.8 million in 2024 due in large part to capital contributions. There was no increase in Storm Water rates. The rate study completed in 2015 creating a five-year rate adjustment expired in 2020, and a new study has not been completed. There was also a light increase in expenses in 2024 due to employee service increases and depreciation charges.

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

The equipment revolving fund's net position increased \$2.6 million in 2024 primarily due to an increase in equipment rental revenues, investment earnings, and capital contributions. The equipment rental revenue increase is intentional in an attempt to increase the fund's net position to account for inflationary equipment replacement costs.

The information technology revolving fund's net position increased \$1.4 million in 2024 primarily due to equipment rental revenues surpassing current replacement needs. This is an attempt to build the fund's net position for larger future purchases.

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

Internal Service funds (Continued)

The self-insurance fund's net position increased \$3.7 million in 2024 primarily due to an increase in departmental and employee health insurance charges due to rate increases in 2024. Additionally, there was a decrease in health insurance claims in 2024.

The employee benefit fund's net position increased \$1.3 million in 2024 primarily due to transfers from other funds.

General Fund Budgetary Highlights

The City approved the 2024 general fund budget anticipating a decrease in fund balance.

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

- Increase in the public safety expenditures due to drug enforcement administration and fire hazmat grant appropriations. Along with an increase in Police and Fire due to appropriation of higher than expected revenues.
- Increase in administration and attorney budget due to appropriation of revenues and bold forward unbound budgets due to unplanned expenditures. The bold forward unbound initiative was not planned when the 2024 budget was adopted but was later approved by the City Council.
- Increase in public works expenditures due to appropriation of revenues.
- Reductions in unallocated contingency account to offset increases in administration, economic development, and other initiatives.
- Increase in transfers out for capital improvement project.

At the close of the year, general fund total expenditures were \$5,926,736 below final budget while actual revenues were above final budget by \$4,623,234. These variances to budget can be traced to higher than expected lodging tax, local government aid, licenses and permits revenues, Police and Fire State Aids, and savings in most divisions due to cost savings measures.

**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, 2024, amounts to \$1,708,053,771 (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 \$80,685,632, or 5.0 percent. This increase is a result of significant construction activities on the Airport runway, land purchases for upcoming construction projects, infrastructure (including streets and underground mains), vehicle purchases, and continued improvements to the electric distribution and transmission systems.

City of Rochester's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 96,147,526	\$ 80,904,513	\$ 25,769,696	\$ 24,768,225	\$ 121,917,222	\$ 105,672,738
Buildings	280,093,244	268,256,892	330,420,880	329,929,408	610,514,124	598,186,300
Improvements other than buildings	53,135,386	53,557,753			53,135,386	53,557,753
Machinery and equipment	43,349,494	38,495,655	320,399,783	308,275,043	363,749,277	346,770,698
Infrastructure	366,935,115	361,296,461			366,935,115	361,296,461
Construction in progress	95,544,916	82,232,699	91,184,777	75,343,463	186,729,693	157,576,162
Right to use subscription asset	3,010,049	3,667,542	2,062,905	640,485	5,072,954	4,308,027
Total	<u>\$ 938,215,730</u>	<u>\$ 888,411,515</u>	<u>\$ 769,838,041</u>	<u>\$ 738,956,624</u>	<u>\$ 1,708,053,771</u>	<u>\$ 1,627,368,139</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 59-61 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$287,953,596 in debt outstanding. Of this amount, \$121,904,537 comprises debt backed by the full faith and credit of the government, \$163,696,000 represents bonds and notes secured solely by specified revenue sources, and \$2,353,059 represents capital leases secured by park referendum dollars and public safety aid. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.

City of Rochester's Outstanding Debt

General Obligation and Revenue Bonds, and Notes Payable

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 385,000	\$ 750,000	\$	\$	\$ 385,000	\$ 750,000
General obligation tax increment revenue bonds	16,640,000	17,535,000			16,640,000	17,535,000
General obligation lodging tax revenue bonds	29,805,000	31,755,000			29,805,000	31,755,000
General obligation equipment certificates of indebtedness	1,165,000	1,435,000			1,165,000	1,435,000
General obligation refunding bonds	14,110,000	14,980,000			14,110,000	14,980,000
General obligation sales tax revenue bonds	10,135,000	10,135,000			10,135,000	10,135,000
General obligation tax abatment bonds	23,775,000	12,375,000			23,775,000	12,375,000
General obligation revenue bonds and notes			25,889,537	24,400,000	25,889,537	24,400,000
Revenue bonds	24,081,000	25,438,000	139,615,000	147,345,000	163,696,000	172,783,000
Capital lease payable	2,353,059	1,172,802			2,353,059	1,172,802
Total	\$ 122,449,059	\$ 115,575,802	\$ 165,504,537	\$ 171,745,000	\$ 287,953,596	\$ 287,320,802

The City of Rochester's total outstanding debt increased by \$632,794 during the current fiscal year.

There were two bond issuances during 2024 for the replacement of the City's energy system and improvements to the Water Reclamation Plant in the amount of \$21,219,537

Other principal reductions occurred as a result of scheduled debt service payments on existing debt. A more detailed breakdown of these obligations can be found in Note 3:l, beginning on page 67.

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

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

Economic Factors and Next Year's Budgets and Rates

- Rochester's unemployment rate increased by 0.6 percent to 3.3 percent by the end of March 2025. This remains below the state and U.S. averages of 3.9 percent and 4.2 percent, respectively. A gain of 4,284 jobs brought the total employment figure through March 2025 to 130,117 from the March 2024 level of 125,833.
- Building activity was up in 2024. Commercial and residential building permits issued for 2024 totaled \$694,120,213. Permit totals were up 31.3 percent from a year ago and up 23.4 percent from 2022. Permit values for the first quarter of 2025 totaled \$133,275,222. This represents an increase of 36.6 percent over first quarter 2024 and an increase of 16 percent over the first quarter of 2023.
- The DMCC plan adopted by the City Council and the Destination Medical Center Board in 2015 is a strategic business plan to address land use, transportation, infrastructure, business development, marketing, and operational strategies over the 20-year period. It outlines a \$6 billion economic development initiative to secure Minnesota's status as a global medical destination center now and in the future. The program includes State, City, and County funding of \$585 million to help construct the significant public infrastructure needed to support this growth. An additional 0.25% local option sales tax dedicated towards the City's share of this funding became effective January 1, 2016.

Construction of the "Discovery Walk" was completed in 2024. The design phase of the rapid transit project is completed and construction is to begin in 2025. During 2024, \$84.9 million was awarded by the Federal Transit Administration. Additionally, transit hub locations are secured as well as the electric buses and charging stations needed on the circulator routes to bring riders from the transit hubs to the downtown DMCC district and back.

All of these public improvements give confidence to the private sector which has now invested over \$1.79 billion in the DMCC district since initiation of the plan.

- The voters approved an extension of Rochester's ½-cent sales tax in November 2023. This extension authorizes \$205 million over the course of approximately 24 years. The sales tax funding will focus on economic vitality, street reconstruction, flood control and water quality projects, and a regional sports and recreation complex.
- Construction continues on the important reconstruction work on the City's main runway 2/20 at the Rochester International Airport. This project is estimated to cost \$79.2 million and will require a mix of state, City, and federal funds to complete.
- The City's tax levy was increased by 9.96% for pay 2025, which was up from 9.44% for pay 2024.

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

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

- A Park and Recreation referendum was passed in November 2020. The referendum gives \$2 million per year to Park and Recreation beginning with pay 2021. The City issued a \$12.375 million general obligation bond in May of 2023 to fund a prioritized list of “accelerated park improvement projects”. One-half of this annual referendum levy will be used to repay this bond.
- The Council approved an \$10.88 million 2025 bond issue. The bond proceeds will be used to fund the construction of a new Parks Maintenance Facility adjacent to the Public Works Transit Operation Center. The land was acquired in 2024.
- Interest rates continue to rise after remaining at historical lows since 2010. We have begun to adjust our budget estimates to reflect this fact, however, inflationary impacts on fuel and many supplies will more than offset this gain in our returns on the investment portfolio.

All of these factors were considered in preparing the City of Rochester's budget for the 2025 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

Requests for Information

This financial report is designed to provide a general overview of the City of Rochester's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 201 4th Street SE, Room 204, Rochester, MN 55904.

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CITY OF ROCHESTER, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2024

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 35,545,317	\$ 34,430,603	\$ 69,975,920
Investments	340,186,219	216,949,968	557,136,187
Land held for resale	625,000		625,000
Receivables (net of allowance for uncollectibles)	24,503,287	22,681,038	47,184,325
Lease receivable	5,942,976	19,082,906	25,025,882
Internal balances	(2,406,642)	2,406,642	
Due from other governmental units	33,099,291	1,230,549	34,329,840
Accrued utility revenues		4,107,680	4,107,680
Restricted cash and investments	73,154,577	13,721,626	86,876,203
Restricted funds held in trust		48	48
Inventory, net	1,247,683	9,048,331	10,296,014
Prepaid items	84,380		84,380
Other assets		20,233,452	20,233,452
Capital assets:			
Nondepreciable	191,692,442	116,954,473	308,646,915
Depreciable, net	746,523,288	652,883,568	1,399,406,856
Total Assets	<u>1,450,197,818</u>	<u>1,113,730,884</u>	<u>2,563,928,702</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from OPEB activity	4,015,861		4,015,861
Deferred outflows from pension activity	46,922,378	2,323,686	49,246,064
Unamortized deferred amount on refunding		1,229,611	1,229,611
Total Deferred Outflows of Resources	<u>50,938,239</u>	<u>3,553,297</u>	<u>54,491,536</u>
LIABILITIES			
Accounts and contracts payable	11,442,386	16,563,004	28,005,390
Deposits payable	1,152	2,641,176	2,642,328
Accrued interest payable	1,788,188	689,007	2,477,195
Accrued compensation and payroll taxes	5,402,053	1,631,294	7,033,347
Accrued claims	6,458,766	6,000	6,464,766
Due to other governmental units	4,767,845	48,905	4,816,750
Other liabilities		5,221	5,221
Unearned revenue	2,031,490	1,268,569	3,300,059
Noncurrent liabilities:			
Due within one year:			
Long-term liabilities	24,379,832	21,219,592	45,599,424
Subscription liabilities	638,547	280,127	918,674
Post-employment benefit liability	942,384		942,384
Due in more than one year:			
Long-term liabilities	117,681,332	159,436,250	277,117,582
Subscription liabilities	2,473,969	1,061,916	3,535,885
Post-employment benefit liability	16,976,052		16,976,052
Net pension liability	43,567,448	11,700,113	55,267,561
Total Liabilities	<u>238,551,444</u>	<u>216,551,174</u>	<u>455,102,618</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from OPEB activity	2,255,150		2,255,150
Deferred inflows from pension activity	62,009,418	7,891,713	69,901,131
Deferred inflows from leasing activity	5,942,976	17,605,039	23,548,015
Unamortized deferred amount on refunding		1,262,524	1,262,524
Solar choice deferred inflows of resources		231,292	231,292
Advance payments		8,700,400	8,700,400
Total Deferred Inflows of Resources	<u>70,207,544</u>	<u>35,690,968</u>	<u>105,898,512</u>
NET POSITION			
Net investment in capital assets	878,546,540	605,357,170	1,483,903,710
Restricted for:			
Airport	13,702,469		13,702,469
CDBG loans	4,139,053		4,139,053
Economic development loan	148,221		148,221
Civic music endowment	48,415		48,415
Park and recreation	41,588		41,588
Debt service	5,357,668	667,083	6,024,751
Children's playgrounds	748,394		748,394
Settlement funds	748,161		748,161
Flood control	11,781,796		11,781,796
Tax increment financing	14,280,989		14,280,989
Sales tax authorized projects	55,647,700		55,647,700
Destination medical center	118,018,591		118,018,591
Funds held in trust		48	48
Unrestricted	89,167,484	259,017,738	348,185,222
Total Net Position	<u>\$ 1,192,377,069</u>	<u>\$ 865,042,039</u>	<u>\$ 2,057,419,108</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 19,589,518	\$ 1,631,360	\$ 394,248	\$ 1,425,591
Public safety	67,413,534	11,522,738	5,374,632	17,841
Public works	35,813,770	762,831	1,246,553	11,422,095
Airport	8,652,104	5,325,358	1,365,527	16,050,761
Transit	16,377,266	1,658,680	12,959,601	7,394,992
Culture	12,586,414	41,836	1,587,423	
Park and recreation	26,802,989	5,007,619	408,165	836,514
Economic development/tourism	22,950,281	3,377,105	726,624	57,437,283
Community reinvestment/unallocated	1,257,265		483,145	
Interest on long-term debt	3,885,360			
Total governmental activities	<u>215,328,501</u>	<u>29,327,527</u>	<u>24,545,918</u>	<u>94,585,077</u>
Business-Type activities:				
Parking	6,635,646	8,015,659		226,461
Electric utility	163,892,177	192,808,849		11,587,435
Water utility	11,794,394	14,996,140		2,460,790
Sewer utility	14,788,907	33,675,907		1,253,435
Storm water utility	7,618,345	9,554,779		328,564
Total business-type activities	<u>204,729,469</u>	<u>259,051,334</u>		<u>15,856,685</u>
Total	<u>\$ 420,057,970</u>	<u>\$ 288,378,861</u>	<u>\$ 24,545,918</u>	<u>\$ 110,441,762</u>

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

Change in net position

Net position - beginning

Net position - ending

See Notes to the Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (16,138,319)	\$	\$ (16,138,319)
(50,498,323)		(50,498,323)
(22,382,291)		(22,382,291)
14,089,542		14,089,542
5,636,007		5,636,007
(10,957,155)		(10,957,155)
(20,550,691)		(20,550,691)
38,590,731		38,590,731
(774,120)		(774,120)
(3,885,360)		(3,885,360)
<u>(66,869,979)</u>		<u>(66,869,979)</u>
	1,606,474	1,606,474
	40,504,107	40,504,107
	5,662,536	5,662,536
	20,140,435	20,140,435
	2,264,998	2,264,998
	<u>70,178,550</u>	<u>70,178,550</u>
<u>(66,869,979)</u>	<u>70,178,550</u>	<u>3,308,571</u>
103,955,817		103,955,817
10,582,534		10,582,534
23,559,359		23,559,359
12,072,126		12,072,126
5,026,033		5,026,033
9,060		9,060
10,346,680	8,918,787	19,265,467
1,461,133	78,005	1,539,138
4,642,201	2,399,400	7,041,601
3,039,707	104,583	3,144,290
15,883,478	(15,883,478)	
<u>190,578,128</u>	<u>(4,382,703)</u>	<u>186,195,425</u>
123,708,149	65,795,847	189,503,996
<u>1,068,668,920</u>	<u>799,246,192</u>	<u>1,867,915,112</u>
<u>\$ 1,192,377,069</u>	<u>\$ 865,042,039</u>	<u>\$ 2,057,419,108</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2024

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,455,477	\$ 15,706,382	\$ 7,505,560	\$ 31,667,419
Investments	51,388,119	201,894,300	31,908,200	285,190,619
Land held for resale		625,000		625,000
Accrued interest receivable	1,141,283	1,504,482	266,561	2,912,326
Accounts receivable (net of allowance for uncollectibles)	961,931	338,201	2,170,780	3,470,912
Lease receivable			5,942,976	5,942,976
Loans receivable		236,875	4,139,053	4,375,928
Taxes receivable delinquent	1,267,159	129,501	376,097	1,772,757
Special assessments receivable:				
Deferred		11,011,250		11,011,250
Delinquent	41,643	41,250	103,385	186,278
Due from other funds	1,157,841	444,940	239,946	1,842,727
Due from other governmental units	2,617,685	29,883,372	596,178	33,097,235
Prepaid items	14,424		69,956	84,380
Restricted cash and investments	48,415	73,015,889	258	73,064,562
Inventory	1,218,884		28,799	1,247,683
TOTAL ASSETS	\$ 68,312,861	\$ 334,831,442	\$ 53,347,749	\$ 456,492,052
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 975,815	\$ 7,468,053	\$ 2,051,773	\$ 10,495,641
Accrued compensation and payroll taxes	4,564,954		837,099	5,402,053
Due to other funds	1,185,188	257,774	228,954	1,671,916
Advances from other funds		3,551,981	1,900,000	5,451,981
Unearned revenue	343,532	614,126	840,839	1,798,497
Due to other governmental units	2,482,056	138	2,275,421	4,757,615
Total Liabilities	9,551,545	11,892,072	8,134,086	29,577,703
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes	1,267,159	129,501	376,097	1,772,757
Special assessments	41,643	11,052,500	103,385	11,197,528
Loans receivable		236,875	4,139,053	4,375,928
Leases receivable			5,942,976	5,942,976
Total Deferred Inflows of Resources	1,308,802	11,418,876	10,561,511	23,289,189
Fund Balance:				
Nonspendable	1,233,308		98,755	1,332,063
Restricted	48,415	199,918,885	20,556,692	220,523,992
Committed		111,601,609		111,601,609
Assigned	2,383,003		15,921,247	18,304,250
Unassigned	53,787,788		(1,924,542)	51,863,246
Total Fund Balance	57,452,514	311,520,494	34,652,152	403,625,160
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 68,312,861	\$ 334,831,442	\$ 53,347,749	\$ 456,492,052

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

December 31, 2024

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

Total governmental fund balances (page 23)		\$ 403,625,160
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 1,428,951,291	
Less: Accumulated depreciation and amortization	<u>(508,838,331)</u>	920,112,960
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 1,959,035	
Deferred special assessments	11,011,250	
Loans receivable	<u>4,375,928</u>	17,346,213
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and deferred outflows of resources and liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		
		53,774,874
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	\$ 46,922,378	
Deferred inflows related to pensions	<u>(62,009,418)</u>	(15,087,040)
Long-term liabilities, including bonds and notes payable, capital lease payable, subscription liabilities, net pension liability, compensated absences, accrued interest, and unamortized bond premium are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (118,931,000)	
Subscription liabilities	(2,145,378)	
Capital lease payable	(1,366,770)	
Net pension liability	(43,567,448)	
Compensated absences	(12,488,601)	
Accrued interest	(1,772,397)	
Unamortized bond premium	<u>(7,123,504)</u>	(187,395,098)
Net position of governmental activities (page 20)		<u>\$ 1,192,377,069</u>

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

For the Year Ended December 31, 2024

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 68,946,078	\$ 8,481,940	\$ 23,060,536	\$ 100,488,554
Tax increment collection		10,186,104	396,430	10,582,534
Sales tax		23,559,359		23,559,359
Special assessments		1,527,914		1,527,914
Utility connection and availability		390,912		390,912
Nonproperty taxes	6,999,049	4,709,874	363,203	12,072,126
Licenses and permits	6,524,969			6,524,969
Fines and forfeits	426,322			426,322
Intergovernmental revenues	12,074,178	90,468,312	17,376,112	119,918,602
Charges for services	6,905,060	383,472	9,614,018	16,902,550
Interest earnings	1,063,332	6,765,235	942,831	8,771,398
Net increase in the fair value of investments	521,624	3,184,177	348,300	4,054,101
Rental revenues	34,023	752,782	4,867,330	5,654,135
Miscellaneous revenues	1,529,526	602,680	1,021,278	3,153,484
Total Revenues	105,024,161	151,012,761	57,990,038	314,026,960
EXPENDITURES				
Current:				
General government	20,264,965			20,264,965
Public safety	66,971,658		150,710	67,122,368
Public works	17,347,415			17,347,415
Airport operations			6,171,866	6,171,866
Transit			14,066,540	14,066,540
Culture	1,408,865		9,760,235	11,169,100
Park and recreation			15,051,580	15,051,580
Economic development/tourism	4,730,023		5,234,187	9,964,210
Community reinvestment and unallocated	1,257,658			1,257,658
Debt service			9,722,309	9,722,309
Capital outlay		108,854,463		108,854,463
Total Expenditures	111,980,584	108,854,463	60,157,427	280,992,474
Excess (deficiency) of revenues over (under) expenditures	(6,956,423)	42,158,298	(2,167,389)	33,034,486
OTHER FINANCING SOURCES (USES)				
Issuance of debt		11,286,000	114,000	11,400,000
Premium on issuance of debt		32,527		32,527
Sale of assets		1,325,939		1,325,939
Issuance of capital lease payable	268,760	142,249		411,009
Transfers in	18,647,953	13,837,953	10,780,422	43,266,328
Transfers out	(8,826,022)	(10,631,523)	(3,986,066)	(23,443,611)
Total other financing sources (uses)	10,090,691	15,993,145	6,908,356	32,992,192
Net change in fund balances	3,134,268	58,151,443	4,740,967	66,026,678
Fund Balance - beginning	54,318,246	253,369,051	29,911,185	337,598,482
Fund Balance - ending	\$ 57,452,514	\$ 311,520,494	\$ 34,652,152	\$ 403,625,160

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, 2024

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

Net change in fund balances - total governmental funds (page 25)		\$ 66,026,678
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay-capitalized	\$ 84,974,432	
Depreciation and amortization expense	<u>(31,453,800)</u>	53,520,632
<p>Infrastructure is contributed from governmental activities to business-type activities and from developers to governmental activities. The amounts affect governmental net position but do not affect fund balance.</p>		
		(4,863,170)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.</p>		
		(772,112)
<p>Some revenues which will not be collected for several months after fiscal year ends are not considered "available" and are reported as deferred inflows of resources. Unavailable revenues increased by this amount this year.</p>		
		3,276,017
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences December 31, 2024	\$ (12,488,601)	
Compensated absences December 31, 2023	<u>12,739,546</u>	250,945
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Issuance of long-term debt	\$ (11,400,000)	
Premium on issuance of long-term debt	(32,527)	
Principal retirement on long-term debt	5,437,000	
Principal retirement on subscription liability	316,125	
Change in pension activity	3,423,158	
Amortization of bond premium	553,600	
Change in accrued interest	<u>(64,483)</u>	(1,767,127)
<p>Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.</p>		
Repayment of capital lease principal	\$ 217,041	
Issuance of capital lease payable	<u>(411,009)</u>	(193,968)
<p>Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities</p>		
		<u>8,230,254</u>
Change in net position of governmental activities (pages 21 and 22)		<u>\$ 123,708,149</u>

See Notes to the Financial Statements

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

For the Year Ended December 31, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 69,422,973	\$ 69,422,973	\$ 68,946,078	\$ (476,895)
Nonproperty taxes	6,722,895	6,722,895	6,999,049	276,154
Licenses and permits	5,133,064	5,261,752	6,524,969	1,263,217
Fines and forfeits	304,131	393,054	426,322	33,268
Intergovernmental revenues	7,648,756	9,550,016	12,074,178	2,524,162
Charges for services	5,419,439	6,086,714	6,905,060	818,346
Interest earnings	503,000	508,308	1,063,332	555,024
Net increase in the fair value of investments			521,624	521,624
Rental revenues	19,663	29,663	34,023	4,360
Miscellaneous revenues	1,269,438	2,425,552	1,529,526	(896,026)
Total Revenues	<u>96,443,359</u>	<u>100,400,927</u>	<u>105,024,161</u>	<u>4,623,234</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	1,227,310	1,259,249	1,236,884	22,365
City Administrator	2,570,593	3,822,898	3,418,702	404,196
City Clerk	940,748	940,748	906,238	34,510
Elections and Voter Registration	536,612	558,311	592,961	(34,650)
Finance Department	2,582,941	2,288,106	2,231,286	56,820
Information Systems	3,524,092	3,089,752	3,108,154	(18,402)
Public Information System	340,006	598,546	421,118	177,428
City Attorney	2,231,629	2,367,689	2,203,541	164,148
Human Resources	3,142,192	2,958,301	2,788,955	169,346
Community Development	909,675	838,383	754,790	83,593
Planning Services	871,796	871,796	718,251	153,545
Bold Forward Unbound		507,944	503,426	4,518
DSIC and North Station Maintenance	398,879	400,879	364,711	36,168
City Hall Maintenance	595,110	530,428	497,991	32,437
Joint Facilities Maintenance	435,139	565,693	517,957	47,736
Total General Government	<u>20,306,722</u>	<u>21,598,723</u>	<u>20,264,965</u>	<u>1,333,758</u>
Public Safety:				
Police Department	36,238,245	37,998,789	37,649,659	349,130
Fire Department	21,834,358	22,923,978	22,480,205	443,773
Fire Hazmat Response Team		71,200	80,889	(9,689)
Building Safety	4,813,649	5,418,718	5,107,392	311,326
Animal Control	422,846	426,878	382,051	44,827
Drug Enforcement Administration		481,184	190,600	290,584
Flood Control	829,551	835,872	695,733	140,139
Emergency Mgmt/Safety Council	422,386	422,386	385,129	37,257
Total Public Safety	<u>64,561,035</u>	<u>68,579,005</u>	<u>66,971,658</u>	<u>1,607,347</u>

See Notes to the Financial Statements

**CITY OF ROCHESTER, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**
For the Year Ended December 31, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current:				
Public Works:				
Engineering	4,119,019	4,170,602	3,932,663	237,939
PWTOC Building/Site Operations	7,575	23,514	23,182	332
Traffic Engineer	1,841,373	1,894,628	1,825,382	69,246
Infrastructure Maintenance	11,223,188	11,316,303	10,080,809	1,235,494
City Lighting	1,431,624	1,431,624	1,485,379	(53,755)
Total Public Works	<u>18,622,779</u>	<u>18,836,671</u>	<u>17,347,415</u>	<u>1,489,256</u>
Culture:				
Art Center/Theatre/Senior Center	431,737	431,737	421,938	9,799
Music Department	1,473,680	1,520,169	986,927	533,242
Total Culture	<u>1,905,417</u>	<u>1,951,906</u>	<u>1,408,865</u>	<u>543,041</u>
Economic Development/Tourism	4,691,530	4,731,950	4,730,023	1,927
Unallocated:				
Community Reinvestment and Unallocated	2,325,485	2,209,065	1,257,658	951,407
Total Unallocated	<u>2,325,485</u>	<u>2,209,065</u>	<u>1,257,658</u>	<u>951,407</u>
Total Expenditures	<u>112,412,968</u>	<u>117,907,320</u>	<u>111,980,584</u>	<u>5,926,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,969,609)</u>	<u>(17,506,393)</u>	<u>(6,956,423)</u>	<u>10,549,970</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease payable		268,760	268,760	
Transfers in	17,393,999	18,512,604	18,647,953	135,349
Transfers out	(2,001,724)	(8,461,346)	(8,826,022)	(364,676)
Total other financing sources (uses)	<u>15,392,275</u>	<u>10,320,018</u>	<u>10,090,691</u>	<u>(229,327)</u>
Net change in fund balances	(577,334)	(7,186,375)	3,134,268	10,320,643
Fund Balance - beginning	<u>54,318,246</u>	<u>54,318,246</u>	<u>54,318,246</u>	
Fund Balance - ending	<u>\$53,740,912</u>	<u>\$47,131,871</u>	<u>\$57,452,514</u>	<u>\$10,320,643</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2024

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,064,809	\$ 26,712,979	\$ 3,179,489
Investments	14,877,352	103,670,345	12,339,271
Accrued interest receivable	107,159		
Accounts receivable	244,033	20,126,881	768,668
Accrued utility revenues		3,930,317	177,363
Lease receivable current			880,992
Taxes receivable delinquent			
Inventory, material, supplies and fuel, net		8,794,682	250,825
Due from other funds			
Advances to other funds	2,379,666		
Due from other governmental units			
Restricted and reserved cash		1,140,572	
Other assets		2,314,957	161,336
Total Current Assets	18,673,019	166,690,733	17,757,944
Noncurrent Assets:			
Capital assets:			
Nondepreciable	17,827,054	53,948,090	12,989,910
Depreciable	73,277,267	562,166,283	171,895,346
Less: Accumulated depreciation	(34,358,670)	(305,176,936)	(67,923,115)
Net capital assets	56,745,651	310,937,437	116,962,141
Lease receivable noncurrent			17,749,879
Restricted and reserved cash	114,548		
Restricted investments		12,466,506	
Restricted funds held in trust		48	
Other assets		17,751,649	
Total Noncurrent Assets	56,860,199	341,155,640	134,712,020
Total Assets	75,533,218	507,846,373	152,469,964
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		1,229,611	
Deferred outflows from OPEB activity			
Deferred outflows from pension activity	36,463	1,722,431	199,329
Total Deferred Outflows of Resources	36,463	2,952,042	199,329
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	88,357	14,317,153	569,477
Deposits payable		2,480,283	160,893
Accrued interest payable		473,489	
Accrued compensation and payroll taxes	24,869	1,154,041	145,054
Accrued compensated absences	22,167	2,331,318	284,760
Due to other funds	1,157	3,047,516	513,879
Due to other governmental units	44,443		
Other liabilities		5,221	
Unearned revenue			
Accrued claims			
Current portion of:			
Bonds payable		8,005,000	
Subscription liability		280,127	
Capital lease payable			
Post employment benefit obligation			
Total Current Liabilities	180,993	32,094,148	1,674,063
Noncurrent Liabilities:			
Bonds payable, net of unamortized premium		140,524,639	
Capital lease payable			
Subscription liability		1,061,916	
Accrued compensated absences	35,290	1,496,195	112,390
Net pension liability	185,932	8,655,220	1,003,559
Unearned revenue		1,268,569	
Accrued claims		6,000	
Post employment benefit obligation			
Total Noncurrent Liabilities	221,222	153,012,539	1,115,949
Total Liabilities	402,215	185,106,687	2,790,012
DEFERRED INFLOWS OF RESOURCES			
Advance payments		8,700,400	
Deferred charge on refunding			
Solar choice deferred inflows of resources		231,292	
Deferred inflows from leasing activity			17,153,004
Deferred inflows from OPEB activity			
Deferred inflows from pension activity	121,141	5,812,182	713,244
Total Deferred Inflows of Resources	121,141	14,743,874	17,866,248
Total Liabilities and Deferred Inflows of Resources	523,356	199,850,561	20,656,260
NET POSITION			
Net investment in capital assets	56,745,651	174,761,871	116,962,141
Restricted:			
Debt service		667,083	
Funds held in trust		48	
Unrestricted	18,300,674	135,518,852	15,050,892
Total Net Position	\$ 75,046,325	\$ 310,947,854	\$ 132,013,033

Net position of enterprise funds

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

Net position of business-type activities

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 1,436,720	\$ 2,036,606	\$ 34,430,603	\$ 3,877,898
56,088,300	29,974,700	216,949,968	54,995,600
385,138	214,358	706,655	393,314
777,585	57,216	21,974,383	374,111
		4,107,680	
		880,992	
			6,411
2,824		9,048,331	
2,803,773	886,653	3,690,426	
		2,379,666	3,072,315
1,229,549	1,000	1,230,549	2,056
		1,140,572	90,015
		2,476,293	
<u>62,723,889</u>	<u>33,170,533</u>	<u>299,016,118</u>	<u>62,811,720</u>
17,476,216	14,713,203	116,954,473	1,531,524
365,489,540	112,571,853	1,285,400,289	54,787,938
(197,595,185)	(27,462,815)	(632,516,721)	(38,216,692)
185,370,571	99,822,241	769,838,041	18,102,770
452,035		18,201,914	
		114,548	
		12,466,506	
		48	
5,510		17,757,159	
<u>185,828,116</u>	<u>99,822,241</u>	<u>818,378,216</u>	<u>18,102,770</u>
<u>248,552,005</u>	<u>132,992,774</u>	<u>1,117,394,334</u>	<u>80,914,490</u>
		1,229,611	
			4,015,861
306,844	58,619	2,323,686	
<u>306,844</u>	<u>58,619</u>	<u>3,553,297</u>	<u>4,015,861</u>
1,553,610	34,407	16,563,004	946,745
		2,641,176	1,152
215,518		689,007	15,791
256,275	51,055	1,631,294	
368,626	82,721	3,089,592	
234,990	63,695	3,861,237	
4,408	54	48,905	10,230
		5,221	
			232,993
			5,332,842
10,125,000		18,130,000	280,000
		280,127	311,262
			209,013
			942,384
<u>12,758,427</u>	<u>231,932</u>	<u>46,939,563</u>	<u>8,282,412</u>
16,917,781		157,442,420	885,000
		1,061,916	777,276
		1,993,830	655,876
311,725	38,230	11,700,113	
1,542,650	312,752	1,268,569	
		6,000	1,125,924
			16,976,052
<u>18,772,156</u>	<u>350,982</u>	<u>173,472,848</u>	<u>20,420,128</u>
<u>31,530,583</u>	<u>582,914</u>	<u>220,412,411</u>	<u>28,702,540</u>
		8,700,400	
1,262,524		1,262,524	
		231,292	
452,035		17,605,039	
			2,255,150
<u>1,055,963</u>	<u>189,183</u>	<u>7,891,713</u>	
<u>2,770,522</u>	<u>189,183</u>	<u>35,690,968</u>	<u>2,255,150</u>
<u>34,301,105</u>	<u>772,097</u>	<u>256,103,379</u>	<u>30,957,690</u>
157,065,266	99,822,241	605,357,170	15,970,632
		667,083	
		48	
57,492,478	32,457,055	258,819,951	38,002,029
<u>\$ 214,557,744</u>	<u>\$ 132,279,296</u>	<u>\$ 864,844,252</u>	<u>\$ 53,972,661</u>
		\$ 864,844,252	
		197,787	
		<u>\$ 865,042,039</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2024

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 8,015,659	\$	\$ 12,874,266
Sales and charges for services, pledged as security for revenue bonds		178,097,936	
Miscellaneous		14,710,913	2,121,874
Total Operating Revenues	<u>8,015,659</u>	<u>192,808,849</u>	<u>14,996,140</u>
Operating Expenses:			
Purchased power		100,981,660	
Maintenance and operations	4,787,518	40,267,928	8,824,767
Amortization of regulatory assets		457,432	
Depreciation and amortization	1,896,081	17,104,903	2,975,543
Total Operating Expenses	<u>6,683,599</u>	<u>158,811,923</u>	<u>11,800,310</u>
Operating Income	<u>1,332,060</u>	<u>33,996,926</u>	<u>3,195,830</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Interest earnings	496,022	5,256,855	719,522
Net increase in the fair value of investments	150,000	1,179,715	143,985
Interest and fiscal charges:			
Revenue bonds		(5,186,567)	
Amortization of deferred charge and premium			
Amortization of regulatory assets		(93,825)	
Gain (loss) on disposal of property		(224,399)	40,517
Other income (expense)	61	(17,300)	(51,593)
Total Nonoperating Revenues (Expenses)	<u>646,083</u>	<u>914,479</u>	<u>852,431</u>
Income Before Transfers and Capital Contributions	1,978,143	34,911,405	4,048,261
Capital contributions	226,461	11,587,435	2,461,249
Transfers in	17,232		25,698
Transfers out	<u>(2,280,565)</u>	<u>(10,893,726)</u>	<u>(468,802)</u>
Change in net position	(58,729)	35,605,114	6,066,406
Net Position, Beginning of Year	<u>75,105,054</u>	<u>275,342,740</u>	<u>125,946,627</u>
Net Position, End of Year	<u>\$ 75,046,325</u>	<u>\$ 310,947,854</u>	<u>\$ 132,013,033</u>

Change in net position of enterprise funds

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

Change in net position of business-type activities

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$	\$ 9,063,009	\$ 29,952,934	\$ 39,052,329
33,398,032		211,495,968	
277,875	491,770	17,602,432	
<u>33,675,907</u>	<u>9,554,779</u>	<u>259,051,334</u>	<u>39,052,329</u>
		100,981,660	
11,014,337	5,474,063	70,368,613	31,061,034
		457,432	
5,107,133	2,204,739	29,288,399	3,698,979
<u>16,121,470</u>	<u>7,678,802</u>	<u>201,096,104</u>	<u>34,760,013</u>
<u>17,554,437</u>	<u>1,875,977</u>	<u>57,955,230</u>	<u>4,292,316</u>
			329,611
1,544,160	902,228	8,918,787	1,575,282
555,600	370,100	2,399,400	588,100
(818,527)		(6,005,094)	(83,382)
1,977,083		1,977,083	
		(93,825)	
37,488		(146,394)	134,401
99,160	5,362	35,690	12,332
<u>3,394,964</u>	<u>1,277,690</u>	<u>7,085,647</u>	<u>2,556,344</u>
20,949,401	3,153,667	65,040,877	6,848,660
4,003,428	2,443,431	20,722,004	1,237,277
58,148	3,583	104,661	1,179,879
<u>(6,424,355)</u>	<u>(786,010)</u>	<u>(20,853,458)</u>	<u>(253,799)</u>
18,586,622	4,814,671	65,014,084	9,012,017
<u>195,971,122</u>	<u>127,464,625</u>	<u>799,830,168</u>	<u>44,960,644</u>
<u>\$ 214,557,744</u>	<u>\$ 132,279,296</u>	<u>\$ 864,844,252</u>	<u>\$ 53,972,661</u>
		\$ 65,014,084	
		781,763	
		<u>\$ 65,795,847</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 9,451,523	\$ 187,936,831	\$ 14,241,712
Cash received from other City funds	39,715	6,924,934	283,100
Cash received from employees			
Cash paid to employees	(549,626)	(22,717,120)	(2,595,963)
Cash paid to suppliers	(4,250,707)	(118,936,968)	(5,482,500)
Service territory acquisition		(165,562)	
Other income	61		
Net Cash Provided By Operating Activities	<u>4,690,966</u>	<u>53,042,115</u>	<u>6,446,349</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Repayment of interfund advance	374,057		
Transfers in	17,232		25,698
Transfers out	(2,280,565)	(10,764,283)	(491,745)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(1,889,276)</u>	<u>(10,764,283)</u>	<u>(466,047)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from the sale of property			
Principal payments on bonds		(7,730,000)	
Interest and fiscal charges		(5,966,068)	
Issuance of debt			
Principal payments on subscription liability		(458,301)	
Interest and other fiscal payments on subscription liability		(53,699)	
Principal payments on capital lease payable			
Interest and other fiscal payments on capital lease payable			
Capital contributions received		11,357,634	149,599
Acquisition of capital assets	(539,206)	(32,748,065)	(6,244,707)
Net Cash Used In Capital and Related Financing Activities	<u>(539,206)</u>	<u>(35,598,499)</u>	<u>(6,095,108)</u>
Cash Flows From Investing Activities:			
Investment income	465,394	5,112,870	859,814
Net increase (decrease) in investments	(2,180,801)	(630,083)	473,448
Net Cash Provided By (Used In) Investing Activities	<u>(1,715,407)</u>	<u>4,482,787</u>	<u>1,333,262</u>
Net Increase in Cash and Cash Equivalents	547,077	11,162,120	1,218,456
Cash and Cash Equivalents, Beginning of Year	<u>632,280</u>	<u>16,691,431</u>	<u>1,961,033</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,179,357</u>	<u>\$ 27,853,551</u>	<u>\$ 3,179,489</u>
Classified As:			
Cash and Cash Equivalents	\$ 1,064,809	\$ 26,712,979	\$ 3,179,489
Restricted and Reserved Cash	114,548	1,140,572	
Total Cash and Cash Equivalents, End of Year	<u>\$ 1,179,357</u>	<u>\$ 27,853,551</u>	<u>\$ 3,179,489</u>

See Notes to the Financial Statements

		Enterprise Funds		
Sewer Utility Fund	Storm Water Utility Fund	Total	Governmental Activities- Internal Service Funds	
\$ 31,520,138	\$ 9,217,463	\$ 252,367,667	\$	
131,422	336,822	7,715,993		34,627,829
(4,939,616)	(1,116,653)	(31,918,978)		4,399,035
(6,225,188)	(4,425,075)	(139,320,438)		(31,779,782)
		(165,562)		
99,160	5,362	104,583		12,332
<u>20,585,916</u>	<u>4,017,919</u>	<u>88,783,265</u>		<u>7,259,414</u>
				345,798
		374,057		591,200
58,148	3,583	104,661		1,179,879
<u>(6,424,355)</u>	<u>(786,010)</u>	<u>(20,746,958)</u>		<u>(253,799)</u>
<u>(6,366,207)</u>	<u>(782,427)</u>	<u>(20,268,240)</u>		<u>1,863,078</u>
58,488		58,488		143,440
(8,330,000)		(16,060,000)		(270,000)
(922,801)		(6,888,869)		(42,287)
9,819,537		9,819,537		(300,650)
		(458,301)		(44,753)
		(53,699)		(296,393)
				(27,857)
		11,507,233		
<u>(7,470,323)</u>	<u>(4,434,355)</u>	<u>(51,436,656)</u>		<u>(2,698,928)</u>
<u>(6,845,099)</u>	<u>(4,434,355)</u>	<u>(53,512,267)</u>		<u>(3,537,428)</u>
1,438,983	873,602	8,750,663		1,480,465
<u>(8,592,200)</u>	<u>1,105,800</u>	<u>(9,823,836)</u>		<u>(5,037,200)</u>
<u>(7,153,217)</u>	<u>1,979,402</u>	<u>(1,073,173)</u>		<u>(3,556,735)</u>
221,393	780,539	13,929,585		2,028,329
<u>1,215,327</u>	<u>1,256,067</u>	<u>21,756,138</u>		<u>1,939,584</u>
<u>\$ 1,436,720</u>	<u>\$ 2,036,606</u>	<u>\$ 35,685,723</u>	<u>\$</u>	<u>3,967,913</u>
\$ 1,436,720	\$ 2,036,606	\$ 34,430,603	\$	3,877,898
		1,255,120		90,015
<u>\$ 1,436,720</u>	<u>\$ 2,036,606</u>	<u>\$ 35,685,723</u>	<u>\$</u>	<u>3,967,913</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2024

Reconciliation of Operating Income to Net Cash
Provided By Operating Activities

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Income	\$ 1,332,060	\$ 33,996,926	\$ 3,195,830
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation and amortization expense	1,896,081	17,562,335	2,975,543
Other income	61		
Service territory payments		(165,562)	
Bad debts		256,714	12,000
(Increase) Decrease In:			
Accounts receivables and accrued utility revenues	(40,582)	994,912	(57,447)
Inventory		2,532,170	88,137
Due from other funds			
Due from other governmental units	1,516,075		
Deferred outflows from pension activity	25,960	1,609,450	231,965
Deferred outflows from OPEB activity			
Other assets		(96,468)	23,807
Increase (Decrease) In:			
Accounts and contracts payable, operations	15,886	(284,491)	850,386
Deposits payable		(73,635)	52,216
Accrued expenses and other liabilities	(13,198)		
Post employment benefit obligations			
Deferred inflows from pension activity	40,298	1,597,439	149,822
Net pension liability	(81,063)	(4,487,348)	(662,029)
Unearned revenues		(358,522)	
Solar choice deferred inflow		(46,258)	
Lease deferred inflow/receivable		4,453	(413,881)
Accrued claims			
Due to other funds	86		
Due to other governmental units	(698)		
Net Cash Provided By Operating Activities	\$ 4,690,966	\$ 53,042,115	\$ 6,446,349
Non Cash Transactions:			
Increase in fair value of investments	\$ 150,000	\$ 1,179,715	\$ 143,985
Amortization of bond premiums, discounts, and refunding		(929,614)	
Amortization of bond issue costs		93,825	
Receipt of contributed property	226,461	229,800	2,337,348
SBITA additions		2,023,101	
Capital lease additions			
Impairment loss on capital assets		1,277,239	
Capital assets in accounts payable at year end	14,200		

See Notes to the Financial Statements

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 17,554,437	\$ 1,875,977	\$ 57,955,230	\$ 4,292,316
5,107,133	2,204,739	29,745,831	3,698,979
99,160	5,362	104,583	12,332
		(165,562)	
		268,714	
(696,470)	141,583	341,996	(317,921)
(566)		2,619,741	
(117,860)	(135,642)	(253,502)	
(1,217,641)	(1,000)	297,434	289
299,512	31,905	2,198,792	
			(8,895)
4,536		(68,125)	
63,971	(132,150)	513,602	(35,309)
		(21,419)	(14)
55,655	11,176	53,633	
			1,377,943
274,262	77,108	2,138,929	(404,172)
(840,760)	(36,211)	(6,107,411)	
		(358,522)	56,643
		(46,258)	
		(409,428)	
			(1,347,240)
7,624	(5,435)	2,275	
(7,077)	(19,493)	(27,268)	(65,537)
<u>\$ 20,585,916</u>	<u>\$ 4,017,919</u>	<u>\$ 88,783,265</u>	<u>\$ 7,259,414</u>
\$ 555,600	\$ 370,100	\$ 2,399,400	\$ 588,100
1,977,083		1,047,469	
		93,825	
4,003,428	2,443,431	9,240,468	1,237,277
		2,023,101	
			1,282,682
		1,277,239	
1,461,563		1,475,763	391,051

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

The accompanying financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

The City of Rochester has two component units, the Rochester Economic Development Authority (REDA) and the Destination Medical Center Corporation (DMCC). The REDA was created to account for development allowable only under specific State statutes. The board of directors of the REDA is comprised of City Council members and the REDA directly provides all of its services to the City. There were no activities in the REDA in 2024 other than the accumulation of resources and debt service on outstanding bonds issued by the REDA which is reported in the Economic Development Authority Bond nonmajor debt service fund. The REDA is reported as a blended component unit. The other component unit is the DMCC which was incorporated in 2013 as a nonprofit corporation with the City of Rochester as its sole member. The Corporation was established to benefit the City, and more broadly, Olmsted County and the State of Minnesota by researching, preparing, and implementing a master development plan, including facilitating public infrastructure projects and a variety of development and redevelopment projects, all to promote and provide for the establishment of the City, the County, and the State as a world destination medical center. The DMCC is fiscally dependent on the City as the DMCC is required to have its annual budget approved by the City Council. Also, the City has a financial benefit or burden relationship with the DMCC as it is the beneficiary and sole member of the DMCC and the recipient of all residual assets upon liquidation. The DMCC is reported as a blended component unit.

Separate audited financial statements for the year ended December 31, 2024 are available from the DMCC.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the primary government (the City). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, hotel-motel taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

The *capital improvement fund* accounts for the financial resources to be used for streets and infrastructure other than that financed by proprietary funds.

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

Internal service funds account for insurance, employee benefits, information technology, and equipment revolving services provided to other departments of the City on a cost reimbursement basis.

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Inflows, Deferred Outflows, and Net Position

1. Deposits and investments

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund.

Investments are stated at fair value, based upon quoted market prices at the reporting date.

Cash and cash equivalents for purposes of the basic financial statements includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

2. Receivables, payables, and deferred inflows of resources

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

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

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

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

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges ranging from 3.5% to 7.5%. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are carried net of an allowance for uncollectible assessments estimated at 3.0% of the outstanding balance. The net amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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

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

3. Other assets

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

4. Inventory

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

The Electric and Water utilities provide an allowance for material and supplies that may be obsolete. Inventories have been reduced by an inventory allowance of \$2,643,346 for the Electric utility and \$53,845 for the Water utility for December 31, 2024.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Purchases are reported as expenditures when the prepaid items are consumed (consumption method).

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

6. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has three items that qualify for reporting in this category. The deferred charge on advance refunding of revenue bonds, deferred outflows from pension activity, and deferred outflows from OPEB activity. The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt. This difference is being amortized and charged to operations over the bond term using the effective interest method.

7. Capital assets

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

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

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 1: Summary of Significant Accounting Policies (continued)

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

7. Capital assets (continued)

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

8. Compensated absences benefits

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

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

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

9. Long-term obligations

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

9. Long-term obligations (continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the electric utility fund, bond issuance costs are recorded as a regulatory asset and amortized over the term of the bond issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents receipt of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has received advance payments on leases and electric capacity sales, deferred inflows from pension activity, OPEB, leasing, and solar choice, and an unamortized amount on refunding that qualifies for reporting in this category.

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

11. Unearned revenues

Under the terms of a 2015 agreement, the Electric Utility constructed a substation to meet the specifications of a large customer. The customer paid a Contribution in Aid of Construction (CIAC) for redundant facilities for reliability purposes and for substation capacity in excess of current needs. Per the agreement, the customer can earn a refund of a portion of the CIAC related to excess capacity based on their measured load over the term from 2018 through 2027. A portion of the excess capacity payment becomes ineligible for refund in each of those years if the load requirement specified in the agreement is not achieved. During 2024, \$229,800 of the potential refund became ineligible for refund as the load requirement was not met and, as of December 31, 2024, \$785,880 of the potential refund remained recorded as an unearned revenue. The amount of unearned revenue will be reduced each year through the remainder of the ten-year term, having either been refunded to the customer if load requirement has been met, or recorded as a contribution in aid of construction if not met. The substation went in service in May 2017.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

11. Unearned revenues (continued)

As of December 31, 2024, customers had paid the Electric Utility \$482,689 as advances for construction of utility infrastructure, which is reflected as unearned revenue. When the construction has been completed, such amounts will be recorded as capital contributions.

12. Net Position/Fund Balance

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

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

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

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

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

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

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

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

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The City Council, by resolution, has delegated the power to assign fund balances to the city administrator.

Unassigned – includes positive fund balances within the General Fund which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Net Position/Fund Balance (continued)

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

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

E. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Leases

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

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 1: Summary of Significant Accounting Policies (continued)

F. Leases (continued)

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

G. Subscription-Based Information Technology Arrangements

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

H. Accounting Pronouncements Issued But Not Yet Implemented

GASB has approved GASB Statements No. 102, Certain Risk Disclosures, No. 103, Financial Reporting Model Improvements, and No. 104, Disclosure of Certain Capital Assets. When they become effective, application of these standards may restate portions of these financial statements.

I. Implementation of New Accounting Pronouncements

During the year, the City implemented GASB Statement No. 101, *Compensated Absences*. This Statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered, if the leave accumulates, or if it is more likely than not to be used for time off or paid in cash upon separation. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the government-wide and proprietary statements. The Statement has been implemented and a liability has been reported on the government-wide and proprietary financial statements. There were no adjustments or restatements of beginning balances needed for the adoption of this statement.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds with the exception of the Community Development Projects Fund, the Minnesota Bio Science Center Fund, Settlement Fund, and the Edward Byrne Memorial JAG Fund, which adopt project length budgets.

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

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

1. The City Administrator submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Any changes to the budget at the functional level must be by formal resolution of the City Council. Generally, budget amendments result in utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of budgets is maintained at the department level by departments or divisions. However, expenditures in excess of the departmental budget require administrative approval.
5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the functional level.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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

A. Budgetary Information (continued)

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

NOTE 3: Detailed Notes on All Funds

A. Deposits and Investments

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

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

Deposits

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

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

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

The City's deposits in banks at December 31, 2024 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment Policy

The City has an adopted investment policy, conforming to all applicable laws of the State of Minnesota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash and investment portfolio.

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

Separate investment policies or agreements may exist to address proceeds from certain bond issues or debt service funds in accordance with arbitrage rebate requirements.

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- (h) Guaranteed investment contract (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance company and with a credit quality in one of the top two highest categories.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Under the City's investment policy, the City is required to mitigate its exposure to interest rate risk as follows:

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

The following is a summary of the City of Rochester's cash and investment portfolio as of December 31, 2024, including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2024 Amount</u>	<u>Weighted Average Maturity (in years)</u>	<u>Investment Rating as of Year End</u>	
			<u>S&P</u>	<u>MOODY</u>
Municipal Bonds	\$ 4,974,150	2.94	AAA	Aaa
4M Money Market	17,528,895	N/A	N/A	N/A
US Government and Agency Securities:				
Federal Farm Credit Bank	84,560,590	4.02	N/A	N/A
Federal Home Loan Bank	78,853,120	3.89	N/A	N/A
Federal Home Loan Mortgage Corporation	9,967,500	4.37	N/A	N/A
Federal National Mortgage Association	37,873,140	4.28	N/A	N/A
Treasury Note	<u>323,378,792</u>	3.74	N/A	N/A
Sub-total Investments	557,136,187			
Cash and Deposits	<u>156,852,123</u>			
Total	<u>\$ 713,988,310</u>			

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments. The investment policy of the City limits their investment options to those authorized by Minnesota Statute as described on the previous page.

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency Securities	\$ 84,560,590
Federal Home Loan Bank	Federal Agency Securities	78,853,120
Federal National Mortgage Association	Federal Agency Securities	37,873,140
Treasury Note	United States Treasury Securities	323,378,792

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. At December 31, 2024 all investments were insured or registered or the securities were held by the City or its agent in the city's name.

A reconciliation of cash and investments as shown on the Statement of Net Position:

Cash and cash equivalents	\$ 69,975,920
Investments	557,136,187
Restricted cash and investments	<u>86,876,203</u>
Total Cash and Investments	<u><u>\$ 713,988,310</u></u>

Fair Value Measurements

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

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

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

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Fair Value Measurements (continued)

The City's investments within the fair value hierarchy at December 31, 2024 were as follows:

	At December 31, 2024			
	Fair Value Hierarchy Level			Total
	Level 1	Level 2	Level 3	
Municipal Bonds	\$	\$ 4,974,150	\$	\$ 4,974,150
US Government and Agency Securities:				
Federal Farm Credit Bank		84,560,590		84,560,590
Federal Home Loan Bank		78,853,120		78,853,120
Federal Home Loan Mortgage Corporation		9,967,500		9,967,500
Federal National Mortgage Association		37,873,140		37,873,140
Treasury Note		323,378,792		323,378,792
Investments measured at amortized cost				17,528,895
Total	\$	\$ 539,607,292	\$	\$ 557,136,187

B. Land Held for Resale

In 2014 and 2016 the City acquired parcels of land for a total purchase price of \$648,500. The City used a portion of the land towards a fire station construction project and the remaining parcels held for resale totaling \$625,000, are reported in the Capital Improvement Fund. The City's estimate of net realizable value is in excess of the amount recorded at December 31, 2024.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

C. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2024 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 109,696	\$ 1,557,824	\$ 903,450	\$ 46,715	\$ 2,617,685
Special Revenue	84,404	225,871	246,759	15,043	572,077
Capital Project	16,189,647	12,213,918	1,479,807		29,883,372
Debt Service			24,101		24,101
Enterprise		1,218,857		11,692	1,230,549
Internal Service			2,056		2,056
Totals	<u>\$ 16,383,747</u>	<u>\$ 15,216,470</u>	<u>\$ 2,656,173</u>	<u>\$ 73,450</u>	<u>\$ 34,329,840</u>

Amounts due to other governmental units as of December 31, 2024 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 795	\$ 2,456,444	\$ 23,647	\$ 1,170	\$ 2,482,056
Special Revenue	11,271	2,088,437	156,334	19,299	2,275,341
Capital Project			138		138
Debt Service			80		80
Enterprise		29,265	19,640		48,905
Internal Service		8,002	2,228		10,230
Totals	<u>\$ 12,066</u>	<u>\$ 4,582,148</u>	<u>\$ 202,067</u>	<u>\$ 20,469</u>	<u>\$ 4,816,750</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

D. Restricted Cash and Investments

Restricted cash are deposits held for specifically required purposes. Descriptions of the items and balances as of December 31, 2024 are as follows:

Restricted Cash and Investments -

General Fund

Civic Music Endowment:	
Rochester Area Foundation Endowment	\$ 48,415

Capital Improvement Fund

Air Service Grant	51,162
DMC	61,157,052
Transit State Aid	11,354,144
Park Bond Funds	453,531

Debt Service Fund

Lease Revenue 2020A Bond	258
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Enterprise Funds:

Parking Fund:	
Bioscience Building Debt Service	114,548
Electric Fund:	
Debt Service	1,140,572
Debt Service Reserve Accounts	12,466,506
Funds Held in Trust	48

Internal Service Funds:

Self Insurance Fund	
RA Prefunding	90,015

Total	\$ 86,876,251
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2024 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	\$ 80,904,513	\$ 15,366,213	\$ 123,200	\$ 96,147,526
Construction in progress	82,232,699	56,625,294	43,313,077	95,544,916
Total capital assets, not being depreciated	<u>163,137,212</u>	<u>71,991,507</u>	<u>43,436,277</u>	<u>191,692,442</u>
Capital assets, being depreciated and amortized:				
Buildings	415,275,058	21,966,536	105,723	437,135,871
Improvements other than buildings	90,507,446	2,948,474	1,724,824	91,731,096
Infrastructure	609,227,627	19,562,270		628,789,897
Machinery and equipment	126,530,487	12,582,436	7,516,511	131,596,412
Right to use subscription asset	4,325,035			4,325,035
Total capital assets, being depreciated and amortized	<u>1,245,865,653</u>	<u>57,059,716</u>	<u>9,347,058</u>	<u>1,293,578,311</u>
Less accumulated depreciation and amortization for:				
Buildings	147,018,166	10,130,184	105,723	157,042,627
Improvements other than buildings	36,949,693	2,724,032	1,078,015	38,595,710
Infrastructure	247,931,166	13,923,616		261,854,782
Machinery and equipment	88,034,832	7,717,454	7,505,368	88,246,918
Right to use subscription asset	657,493	657,493		1,314,986
Total accumulated depreciation and amortization	<u>520,591,350</u>	<u>35,152,779</u>	<u>8,689,106</u>	<u>547,055,023</u>
Total capital assets, being depreciated and amortized, net	<u>725,274,303</u>	<u>21,906,937</u>	<u>657,952</u>	<u>746,523,288</u>
Governmental activities capital assets, net	<u>\$ 888,411,515</u>	<u>\$ 93,898,444</u>	<u>\$ 44,094,229</u>	<u>\$ 938,215,730</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2024 was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 24,768,225	\$ 1,367,414	\$ 365,943	\$ 25,769,696
Construction in progress	75,343,463	43,667,150	27,825,836	91,184,777
Total capital assets, not being depreciated	<u>100,111,688</u>	<u>45,034,564</u>	<u>28,191,779</u>	<u>116,954,473</u>
Capital assets, being depreciated and amortized:				
Buildings and improvements	586,854,533	11,236,877	100,000	597,991,410
Machinery and equipment	654,929,937	30,394,600	732,844	684,591,693
Right to use subscription asset	1,081,716	2,023,101	287,631	2,817,186
Total capital assets, being depreciated and amortized	<u>1,242,866,186</u>	<u>43,654,578</u>	<u>1,120,475</u>	<u>1,285,400,289</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	256,925,125	10,745,405	100,000	267,570,530
Machinery and equipment	346,654,894	18,008,662	471,646	364,191,910
Right to use subscription asset	441,231	534,332	221,282	754,281
Total accumulated depreciation and amortization	<u>604,021,250</u>	<u>29,288,399</u>	<u>792,928</u>	<u>632,516,721</u>
Total capital assets, being depreciated and amortized, net	<u>638,844,936</u>	<u>14,366,179</u>	<u>327,547</u>	<u>652,883,568</u>
Business-type activities capital assets, net	<u>\$ 738,956,624</u>	<u>\$ 59,400,743</u>	<u>\$ 28,519,326</u>	<u>\$ 769,838,041</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation and amortization expense for the year ended December 31, 2024 was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 1,447,205
Public safety	3,325,281
Public works	12,760,909
Airport operations	2,438,449
Transit	2,302,788
Culture	1,181,498
Park and recreation/Mayo Civic Center	6,697,190
Economic development/tourism	1,300,480
Subtotal	31,453,800
Internal Service Funds:	
Equipment revolving	3,289,661
Information technology	409,318

Total depreciation and amortization expense - governmental activities	\$ 35,152,779
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Business-Type Activities:

Parking	\$ 1,896,081
Electric utility	17,104,903
Water utility	2,975,543
Sewer utility	5,107,133
Storm water utility	2,204,739

Total depreciation and amortization expense - business type activities	\$ 29,288,399
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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The amounts due to and due from other funds as of December 31, 2024, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,157,841	\$ 1,185,188
Capital Improvement	444,940	257,774
Subtotal	1,602,781	1,442,962
Non-Major Governmental Funds:		
Special Revenue -		
Library		8,738
Municipal Recreation System		64,490
Airport Operations		36,471
Transit		5,034
Bio Science Center		42
Edward Byrne Memorial JAG		13,179
DMCC	239,946	101,000
Subtotal	239,946	228,954
Total Governmental Funds	1,842,727	1,671,916
Proprietary Funds:		
Enterprise -		
Parking		1,157
Electric Utility		3,047,516
Water Utility		513,879
Sewer Utility	2,803,773	234,990
Storm Water Utility	886,653	63,695
Total Proprietary Funds	3,690,426	3,861,237
Total All Funds	\$ 5,533,153	\$ 5,533,153

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

The amounts advanced to and from other funds as of December 31, 2024, at the individual fund level are summarized below:

Funds	Advanced To Other Funds	Advanced From Other Funds
Governmental Funds:		
Capital Improvement	\$	\$ 3,551,981
Economic Development Authority Bond		1,900,000
Proprietary Fund:		
Parking	2,379,666	
Internal Service Fund:		
Self-Insurance	3,072,315	
Total All Funds	\$ 5,451,981	\$ 5,451,981

Transfers during the year ended December 31, 2024 were as follows:

Funds	Transfers In	Transfers Out
General	\$ 18,647,953	\$ 8,826,022
Capital Improvement	13,837,953	10,631,523
Other Governmental Funds:		
Library		25,000
Municipal Recreation System	90,705	620,262
Mayo Civic Center		225,427
Transit		412,939
Minnesota Bio Science Center		929,614
Community Development Projects		447,824
DMCC	2,800,395	
TIF Revenue Bond	1,449,981	
Economic Development Authority Bond	2,254,614	
Lodging Tax Revenue Bond	3,105,988	
GO Variable Rate Sales Tax Bond	382,767	
Lease Revenue 2020A Bond		1,325,000
2023A GO Tax Abatement Bond	695,972	
Subtotal Other Governmental Funds	10,780,422	3,986,066
Subtotal Governmental Funds	43,266,328	23,443,611
Enterprise	104,661	20,853,458
Internal Service	1,179,879	253,799
Totals	\$ 44,550,868	\$ 44,550,868

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

A description of these transfers is as follows:

- \$7,889,322 from Parking, Minnesota Bio Business Center, Lease Revenue 2020A Bond, and Capital Improvement funds to TIF Revenue Bond, Economic Development Authority Bond, Lodging Tax Revenue Bond, and GO Variable Rate Sales Tax Bond funds to finance debt service requirements.
- \$14,867,323 from the Parking, Electric, Water, Sewer, and Storm Water funds to the General fund for transfers in lieu of tax.
- \$3,302,426 from the Capital Improvement fund to the General fund to fund flood control operational costs, administrative costs, technology costs, strategic community activities, and strategic initiatives.
- \$90,705 from the General fund to the Municipal Recreation System fund for operation of the Silver Lake Pool.
- \$2,800,395 from the Capital Improvement fund to the DMCC fund to fund operation activities.
- \$17,232 from the General fund to the Parking fund to fund administrative costs.
- \$61,731 from the Capital Improvement fund to the Sewer and Storm Water funds for capital projects.
- \$1,100,000 from the General fund, Parking fund, and Sewer fund to the Employee Benefits fund for future retirement costs.
- \$12,598,296 from the General, Library, Community Development Projects, Mayo Civic Center, Municipal Recreation System, Sewer, and Storm Water funds to the Capital Improvement fund for capital projects and expenditures.

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

Governmental Funds:	
Transfer in	\$ 43,266,328
Transfers out	(23,443,611)
Internal Service Funds:	
Transfer in	1,179,879
Transfers out	(253,799)
Capital assets transferred from Govt-activities to Business-type activities	<u>(4,865,319)</u>
Government-wide Statement of Activities - Transfers in/out	<u><u>\$ 15,883,478</u></u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

G. Leases

Lease Receivables

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

A summary of outstanding leases as of December 31, 2024 is as follows:

<u>Governmental Activities</u>	<u>Original Lease Date</u>	<u>Expiration Date Including Options</u>	<u>Year Ended December 31, 2024</u>		<u>As of December 31, 2024</u>	
			<u>Lease Revenue</u>	<u>Lease Interest</u>	<u>Lease Receivable</u>	<u>Deferred Inflows of Resources</u>
Commercial Space	10/1/2016	9/30/2027	\$ 991,315	\$ 105,449	\$ 2,975,531	\$ 2,975,531
Commercial Space	7/1/2011	6/30/2036	72,701	31,843	1,021,888	1,021,888
Commercial Space	10/1/2021	11/30/2026	142,579	11,489	305,392	305,392
Commercial Space	4/1/2015	3/31/2025	182,769	4,899	62,949	62,949
Land	7/1/2016	6/30/2065		34,988	1,170,086	1,170,086
Land	10/1/2005	9/30/2050	10,015	12,377	407,130	407,130
Land	4/1/2022	9/30/2024	322,720	7,280		
Totals			\$ 1,722,099	\$ 208,325	\$ 5,942,976	\$ 5,942,976
<u>Business-Type Activities</u>						
Building	6/1/2022	5/31/2031	\$ 50,416	\$ 14,384	\$ 452,035	\$ 452,035
Utility Pole Space	3/19/2019 - 1/1/2020	3/18/2024 - 12/31/2024	316,836			
Antenna Space	11/15/2013 - 3/1/2022	12/31/2028 - 12/31/2042	1,297,100	454,197	18,630,871	17,153,004
Totals			\$ 1,664,352	\$ 468,581	\$ 19,082,906	\$ 17,605,039

Regulated Leases

The City does not recognize a lease receivable and deferred inflow of resources for regulated leases. Regulated leases include certain airport related leases that are subject to external laws, regulations, or legal rulings of the Federal Aviation Administration. The future expected minimum rentals to be received from these regulated leases as of December 31, 2024 is as follows:

<u>Year Ending December 31,</u>	<u>Minimum Lease Revenue</u>
2025	\$ 958,363
2026	959,878
2027	961,424
2028	947,120
2029	855,136
Thereafter	5,956,384
Total	\$ 10,638,305

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

H. Subscription-Based Information Technology Arrangements (SBITA)

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

During 2024, the governmental activities reported amortization expense and interest expense of \$657,493 and \$131,644, respectively, related to SBITA agreements. The cost and accumulated amortization of the assets under the governmental activities SBITAs included in capital assets totaled \$4,325,035 and \$1,314,986, respectively as of December 31, 2024. The governmental activities SBITA obligation totaled \$3,112,516 as of December 31, 2024.

During 2024, the Electric Utility recognized amortization expense and interest expense of \$534,332 and \$53,699, respectively, related to SBITA agreements. The cost and accumulated amortization of the assets under the Electric Utility's SBITAs included in capital assets totaled \$2,817,186 and \$754,282, respectively, as of December 31, 2024. The Electric Utility's SBITA obligation included in current and noncurrent liabilities totaled \$280,127 and \$1,061,916, respectively, as of December 31, 2024.

The annual requirements to amortize the SBITA obligations outstanding at December 31, 2024 are summarized below:

	SBITA Liability	
	Principal	Interest
2025	\$ 638,547	\$ 109,872
2026	661,087	87,331
2027	684,424	63,995
2028	363,181	39,835
2029	376,002	27,014
2030	389,275	13,741
Totals	\$ 3,112,516	\$ 341,788

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2024, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/24
General Obligation Bonds and Notes:				
GO Taxable Tax Increment Bonds				
District 36, Series 2009A	\$ 8,035,000	5.5%	2025	\$ 385,000
GO Tax Increment Revenue				
Bond Series 2017B	21,265,000	2.0-5.0%	2038	16,640,000
GO Lodging Tax Revenue Bonds:				
Bonds, Series 2015A	42,795,000	2.5-5.0%	2035	29,805,000
GO Revenue Bonds:				
Revenue Crossover Refunding Bonds, Series 2015B	19,805,000	5.0%	2026	4,755,000
Revenue Refunding Bonds, Series 2020B	23,380,000	4.0%	2026	11,315,000
GO Variable Rate Sales Tax Revenue				
Bonds, Series 2015C	40,880,000	Variable	2025	10,135,000
GO Taxable Refunding Bonds, Series 2020C	16,460,000	1.25-5.0%	2036	14,110,000
GO Tax Abatement Bonds, Series 2023A	12,375,000	3.625-5.0%	2044	12,375,000
GO Equipment Certificates of Indebtedness, Series 2018A	2,225,000	3.25%	2028	1,165,000
GO Tax Abatement and Improvement Bonds, Series 2024A	11,400,000	4.69-5.14%	2045	11,400,000
GO Sewer Public Facilities Authority Utility Revenue Notes, Series 2024B	9,819,537	1.879%	2044	9,819,537
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2015E	39,970,000	3.0-5.0%	2030	20,410,000
Bonds, Series 2017A	108,255,000	2.0-5.0%	2047	87,175,000
Refunding Bonds, Series 2021A	37,170,000	1.375-2.3%	2043	32,030,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	4,016,000
Lease Bonds, Series 2008	6,700,000	4.71%	2033	2,720,000
Lease Bonds, Series 2020A	20,300,000	2.0-5.0%	2040	17,345,000
Capital Lease Payable	3,141,377	4.4-8.7%	2031	2,353,059
Compensated Absences				17,572,023
Less: Unamortized premium				17,191,387
Total Long-term Debt				<u>\$ 322,717,006</u>

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

In 2009, the City issued \$8,035,000 of Taxable General Obligation Tax Increment Revenue Bonds, Series 2009A. The proceeds of the issue are to assist in the funding of the Minnesota Bio Business Center. The debt is to be repaid using tax increments and lease payments from tenants of the Business Center.

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

General Obligation Revenue Bonds and Notes

General Obligation Revenue Bonds are recorded as liabilities in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit, and taxing power of the City. In 2015, the Sewer Utility issued \$19,805,000 of General Obligation Wastewater Revenue Refunding Bonds to refinance the 2007A Wastewater Revenue Bonds. In 2020, the Sewer Utility issued \$23,380,000 of General Obligation Revenue Refunding Bonds to refinance the 2012A Revenue Crossover Refunding Bonds. In 2024, the Sewer Utility authorized \$72,000,000 of General Obligation Public Facilities Authority Revenue Notes to finance the improvements to the City's municipal sewer system. As of December 31, 2024 the City has issued \$9,819,537 of these bonds.

Revenue Bonds – Electric Utility

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

Lease Revenue Bonds – Economic Development Authority

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

Lease Revenue Bonds issued in 2020 by the Rochester Economic Development Authority (REDA) are payable from lease revenues paid by the City of Rochester to the REDA. The City derives the funds for these payments from the taxing power of the City. The proceeds of this bond issue were to fund the construction of a Development Services Infrastructure Center and North Precinct.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

General Obligation Lodging Tax Revenue Bonds

In 2015, the City issued General Obligation Lodging Tax Revenue Bonds. These bonds are backed by the full faith, credit, and taxing power of the City. However, the City does not anticipate the need to levy taxes for repayment of the Series 2015A Bonds. The City will pledge the Lodging Tax Revenues collected for repayment of the bonds, which will be sufficient to pay 105% of the debt service due on the Series 2015A bonds in each year.

General Obligation Sales Tax Revenue Bonds

In 2015, the City issued General Obligation Sales Tax Revenue Bonds. These bonds are backed by the full faith, credit, and taxing power of the City. The City will pledge the Sales Tax Revenues collected for repayment of the Series 2015C bonds.

General Obligation Equipment Certificates of Indebtedness

In 2018, the City issued \$2,225,000 of General Obligation Equipment Certificates of Indebtedness, Series 2018A. The proceeds of the issue were used to finance the acquisition of certain items of capital equipment which is expected to include multiple fire safety vehicles for the City's Equipment Revolving Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included as part of the totals for governmental activities. The bonds are payable from the general tax levy and is backed by the full faith, credit, and taxing power of the City.

General Obligation Taxable Refunding Bonds

In 2020, the City issued \$16,460,000 of General Obligation Taxable Bonds to refinance the 2010A General Obligation Taxable Build America Bonds. General tax levy will provide the resources for the bond repayment. The bonds are backed by the full faith, credit, and taxing power of the City. City interest payable on these bonds is reimbursed to the City through a federal grant.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

General Obligation Tax Abatement Bonds

In 2023, the City issued \$12,375,000 of General Obligation Tax Abatement bonds for improvements to Soldiers Field Pool, Silver Lake Park, and other park improvements. General tax levy will provide the resources for the bond repayment. The bonds are backed by the full faith, credit, and taxing power of the City.

In 2024, the City issued \$11,400,000 of General Obligation Tax Abatement bonds for improvements to the City's heating and cooling systems to an eco-friendly energy resource. General tax levy will provide the resources for the bond repayment. The bonds are back by the full faith, credit, and taxing power of the City.

Capital Leases

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

In 2024, the City entered into various capital lease payable agreements totaling \$1,693,691 for vehicle leases. Public safety aid dollars, operations, and equipment revolving charges will be utilized to repay the leases.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

Bond Indentures

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

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
GO Taxable Tax Increment Bonds District 36, Series 2009A	\$ 750,000		\$ 365,000	\$ 385,000	\$ 385,000
GO Tax Increment Revenue Bond Series 2017B	17,535,000		895,000	16,640,000	940,000
GO Lodging Tax Revenue Bonds, Series 2015A	31,755,000		1,950,000	29,805,000	2,115,000
GO Taxable Refunding Bonds Series 2020C	14,980,000		870,000	14,110,000	915,000
GO Variable Rate Sales Tax Revenue Bonds, Series 2015C	10,135,000			10,135,000	10,135,000
GO Equipment Certificates of Indebtedness, Series 2018A	1,435,000		270,000	1,165,000	(1) 280,000
GO Tax Abatement Bonds Series 2023A	12,375,000			12,375,000	375,000
GO Tax Abatement and Improvement Bonds Series 2024A		11,400,000		11,400,000	
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	4,368,000		352,000	4,016,000	368,000
REDA Lease Revenue Bonds, Series 2008	2,960,000		240,000	2,720,000	248,000
REDA Lease Revenue Bonds, Series 2020A	18,110,000		765,000	17,345,000	800,000
Capital Lease Payables:					
LED Lighting Lease	1,172,802		125,452	1,047,350	130,859
Vehicle Leases		411,009	91,589	319,420	68,960
Vehicle Leases		1,282,682	296,393	986,289	(1) 209,013
Plus: Unamortized Premium on Bonds	7,644,577	32,527	553,600	7,123,504	
Other Liabilities:					
Compensated Absences	12,739,546		250,945	12,488,601	7,410,000
Governmental Activities Long-term Liabilities	<u>135,959,925</u>	<u>13,126,218</u>	<u>7,024,979</u>	<u>142,061,164</u>	<u>24,379,832</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds and Notes:					
Wastewater Treatment Plant					
Revenue Crossover Refunding Bonds, Series 2015B	6,950,000		2,195,000	4,755,000	2,310,000
Revenue Refunding Bonds, Series 2020B	17,450,000		6,135,000	11,315,000	6,215,000
Sewer Utility Public Facilities Revenue Note Series 2024B		9,819,537		9,819,537	1,600,000
Revenue Bonds:					
Electric Utility Revenue Refunding Bonds- Series 2015E	23,440,000		3,030,000	20,410,000	3,115,000
Electric Utility Revenue Bonds- Series 2017A	90,485,000		3,310,000	87,175,000	3,475,000
Electric Utility Revenue Refunding Bonds- Series 2021A	33,420,000		1,390,000	32,030,000	1,415,000
Plus: Unamortized Premium	11,997,924		1,930,041	10,067,883	
Other Liabilities:					
Compensated Absences	5,095,433		12,011	5,083,422	3,089,592
Business-type Activities Long-term Liabilities	<u>188,838,357</u>	<u>9,819,537</u>	<u>18,002,052</u>	<u>180,655,842</u>	<u>21,219,592</u>
Total	<u>\$ 324,798,282</u>	<u>\$ 22,945,755</u>	<u>\$ 25,027,031</u>	<u>\$ 322,717,006</u>	<u>\$ 45,599,424</u>

(1) Debt recorded in the internal service funds.

Compensated absences are presented as the net change of increases and decreases to arrive at the presentation of the ending balance.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

In 2015, the Sewer Utility issued \$14.2 million in Refunding Revenue Bonds, Series 2015D, to be used for a refunding of the outstanding Series 2007B bonds. The crossover refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,878,134. This difference, reported in the financial statements as a deferred refunding balance, is being amortized and charged to operations over the bond term using the straight-line method. As of December 31, 2024, the balance totaled \$281,321.

In 2020, the Sewer Utility issued \$23.38 million in Refunding Revenue Bonds, Series 2020B, to be used for a refunding of the outstanding Series 2012A bonds. The crossover refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,792,656. This difference, reported in the financial statements as a deferred refunding balance, is being amortized and charged to operations over the bond term using the straight-line method. As of December 31, 2024, the balance totaled \$981,204.

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2024, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Bonds & Notes		Revenue Bonds	
	Principal	Interest *	Principal	Interest
<u>Governmental Activities</u>				
2025	\$ 15,145,000	\$ 2,919,076	\$ 1,416,000	\$ 821,650
2026	5,305,000	2,961,412	1,488,000	750,921
2027	5,555,000	2,707,503	1,565,000	676,561
2028	5,815,000	2,476,469	1,642,000	598,446
2029	5,710,000	2,261,584	1,719,000	521,452
2030-2034	31,855,000	8,056,073	8,761,000	1,517,822
2035-2039	17,760,000	3,349,161	6,175,000	466,209
2040-2044	8,000,000	579,719	1,315,000	13,972
2045	870,000	17,156		
Totals	<u>\$ 96,015,000</u>	<u>\$ 25,328,153</u>	<u>\$ 24,081,000</u>	<u>\$ 5,367,033</u>
<u>Business-Type Activities</u>				
	General Obligation Revenue Bonds		Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 10,125,000	\$ 750,559	\$ 8,005,000	\$ 5,681,868
2026	10,662,000	378,695	8,305,000	5,386,368
2027	3,176,000	95,877	8,625,000	5,062,768
2028	1,926,537	36,200	8,980,000	4,708,968
2029			9,350,000	4,339,668
2030-2034			26,850,000	17,590,368
2035-2039			25,330,000	13,074,725
2040-2044			28,815,000	7,546,890
2045-2047			15,355,000	1,560,500
Totals	<u>\$ 25,889,537</u>	<u>\$ 1,261,331</u>	<u>\$ 139,615,000</u>	<u>\$ 64,952,123</u>

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2024.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

The future minimum payments under the capital lease payable outstanding as of December 31, 2024, over the life of the lease, is summarized below:

	Capital Lease Payable	
	Principal	Interest
2025	\$ 408,832	\$ 107,097
2026	429,055	86,874
2027	450,160	65,769
2028	472,321	43,608
2029	260,453	23,604
2030-2031	332,238	22,144
Totals	\$ 2,353,059	\$ 349,096

As of December 31, 2024, the capitalized cost of the LED lighting and vehicle leases under the capital lease payable was \$2,353,059.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2024, the City had not utilized \$352,714,654 of its net legal debt margin.

Conduit Debt

The City has issued several conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective companies to which the proceeds were remitted. The original amount of the current issues totals \$2,339,473,988 and the balance outstanding at December 31, 2024 totals \$2,148,622,330.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

I. Long-term Debt (continued)

Revenue Pledged

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

<u>Bond Issue - Revenue Bonds</u>	<u>Use of Proceeds</u>	<u>Revenue Pledged</u>			<u>Remaining Principal and Interest</u>	<u>Current Year</u>	
		<u>Type</u>	<u>Percent of Total Debt Service</u>	<u>Term of Pledge</u>		<u>Principal and Interest Paid</u>	<u>Pledged Revenue Received</u>
General Obligation Bonds:							
Wastewater Treatment Plant							
Revenue Crossover Refunding Bonds, Series 2015B	Refund 2007A issue	Utility Revenue	100%	2015 - 2026	\$ 5,115,000	\$ 2,542,500	\$ 2,542,500
Revenue Refunding Bonds, Series 2020B	Refund 2012A issue	Utility Revenue	100%	2020 - 2026	11,745,300	6,710,301	6,710,301
Public Facilities Authority Bonds, Series 2024B	WWTP improvements	Utility Revenue	100%	2024 - 2044	9,826,659		
REDA Lease Revenue Bonds:							
Series 2007	Bio Science building	Lease Revenue	100%	2007 - 2033	4,922,536	549,024	549,024
Series 2008	Bio Science building	Lease Revenue	100%	2008 - 2033	3,335,691	373,764	373,764
Series 2020A	DSIC building	Lease Revenue	100%	2020 - 2040	21,189,806	1,323,400	1,323,400
Electric Utility Revenue Refunding							
Bonds - Series 2015E	Advance refund a portion of 2007C issue	Utility Revenue	100%	2015 - 2030	22,887,150	3,817,000	3,817,000
Electric Utility Revenue Bonds- Series 2017A	Finance Westside Energy Station, and Electric substation and improvements	Utility Revenue	100%	2017 - 2047	142,823,000	7,834,250	7,834,250
Electric Utility Revenue Refunding Bonds - Series 2021A	Advance refund 2013B issue	Utility Revenue	100%	2021 - 2043	38,856,973	2,044,818	2,044,818

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits

A. Plan Description

The City provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City’s health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2024, the most recent valuation date, there were 900 active participants, 282 retirees receiving benefits, and 18 spouses receiving benefits.

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

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

B. Total OPEB Liability

The City’s total OPEB liability was measured as of January 1, 2024 and was determined by an actuarial valuation as of January 1, 2024. The components of the total OPEB liability of the City at year-end were as follows:

Total OPEB liability	\$ 17,918,436
Covered-employee payroll	\$ 87,761,472
Total OPEB liability as a % of payroll	20%

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

C. Funded Status and Funding Progress

As of January 1, 2024, the most recent measurement date, the actuarial accrued liability for benefits was \$17,918,436 all of which was unfunded. The covered-employee payroll (annual payroll of active employees covered by the plan) was \$87,761,472 and the ratio of the unfunded actuarial accrued liability to the covered-employee payroll was 20 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Methods and Assumptions

In the January 1, 2024 actuarial valuation, the entry age level percentage of pay method was used. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

D. Methods and Assumptions (continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.70%
20-year Municipal Bond Yield	3.70%
Inflation rate	2.50%
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale
Medical trend rate	6.50% as of January 1, 2024 grading to 5.00% over 6 years and then to 4.00% over the next 48 years. The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates. No adjustment was made for the impact of Covid-19.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate was changed from 4.00% to 3.70%.

Changes in Plan Provisions:

- The life insurance continuation in retirement to age 75 was removed for most contract groups for future retirees.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

E. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2024	\$ 16,540,493
Changes for the year:	
Service cost	884,947
Interest cost	680,411
Assumption changes	837,475
Plan changes	(121,152)
Differences between expected and actual economic experience	(65,164)
Benefit payments	(838,574)
Net Changes	1,377,943
Balance End of Year 12/31/2024	\$ 17,918,436

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

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

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (2.70%)	\$ 19,554,169
Current Discount Rate (3.70%)	17,918,436
1% increase in Discount Rate (4.70%)	16,455,336

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

	<u>Total OPEB Liability</u>
1% decrease in Trend Rates	\$ 16,115,087
Current Trend Rates	17,918,436
1% increase in Trend Rates	20,010,089

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

J. Other Post-Employment Benefits (continued)

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

As of the year ended December 31, 2024, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 2,184,172	\$ 2,255,150
Liability losses and gains	980,060	
Contributions paid to OPEB subsequent to the measurement date	851,629	
Total	\$ 4,015,861	\$ 2,255,150

Contributions subsequent to the measurement date of \$851,629 will be recognized as a reduction of the OPEB liability in the year ending December 31, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2025	\$ 372,299
2026	372,303
2027	414,760
2028	70,768
2029	(69,678)
Thereafter	(251,370)

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 3: Detailed Notes on All Funds (continued)

K. Governmental Fund Balance Classifications

The City's governmental fund balances as of December 31, 2024 were classified as follows:

	General Fund	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid Items	\$ 14,424	\$	\$ 69,956	\$ 84,380
Inventory	1,218,884		28,799	1,247,683
Total Nonspendable	<u>1,233,308</u>		<u>98,755</u>	<u>1,332,063</u>
<u>Restricted for:</u>				
Civic Music Endowment	48,415			48,415
Flood Control		11,781,796		11,781,796
Economic Development Loans		148,221		148,221
Park and Recreation		41,588		41,588
Tax Increment Financing		14,280,989		14,280,989
Sales Tax Authorized Projects		55,647,700		55,647,700
Destination Medical Center		118,018,591		118,018,591
Airport Operations			13,702,469	13,702,469
Children's Playgrounds			748,394	748,394
Settlement Funds			748,161	748,161
Debt Service			5,357,668	5,357,668
Total Restricted	<u>48,415</u>	<u>199,918,885</u>	<u>20,556,692</u>	<u>220,523,992</u>
<u>Committed to:</u>				
Capital Improvement		111,601,609		111,601,609
Total Committed		<u>111,601,609</u>		<u>111,601,609</u>
<u>Assigned to:</u>				
Subsequent Years Budgets	463,777			463,777
Encumbrances	1,919,226			1,919,226
Library Operations			3,617,002	3,617,002
Parks and Recreation			3,053,775	3,053,775
Mayo Civic Center			1,053,901	1,053,901
Transit			5,263,210	5,263,210
Community Development Projects			26,139	26,139
Minnesota Bio Science Center			2,907,220	2,907,220
Total Assigned	<u>2,383,003</u>		<u>15,921,247</u>	<u>18,304,250</u>
<u>Unassigned</u>				
	<u>53,787,788</u>		<u>(1,924,542)</u>	<u>51,863,246</u>
Total Fund Balances	<u>\$ 57,452,514</u>	<u>\$ 311,520,494</u>	<u>\$ 34,652,152</u>	<u>\$ 403,625,160</u>

Encumbrances are valid and executed contracts for equipment purchases as of December 31, 2024 for which performance is expected in the subsequent years. Such encumbrances are included in assigned fund balance of the general fund.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

L. Restricted Net Position

The City's government-wide restricted net position as of December 31, 2024 is as follows:

Governmental Activities	Restricted Net Position Imposed By			
	Grantors	Donors	Debt Service	Legally Enforceable
<u>Major Governmental Funds:</u>				
General Fund:				
Civic Music Endowment	\$	\$ 48,415	\$	\$
Capital Improvement Fund:				
Flood Control				11,781,796
Economic Development Loans	148,221			
Park and Recreation		41,588		
Tax Increment Financing				14,280,989
Sales Tax Authorized Projects				55,647,700
Destination Medical Center				118,018,591
<u>Nonmajor Governmental Funds:</u>				
Special Revenue Funds:				
Children's Playgrounds	748,394			
CDBG Loans	4,139,053			
Airport Operations				13,702,469
Settlement Funds				748,161
Debt Service Funds:				
Debt Service			5,357,668	
Total Governmental Restricted Net Position	<u>5,035,668</u>	<u>90,003</u>	<u>5,357,668</u>	<u>214,179,706</u>
Business-Type Activities				
Debt Service			667,083	
Funds Held in Trust				48
Total Business-Type Restricted Net Position			<u>667,083</u>	<u>48</u>
Total Government Wide Restricted Net Position	<u>\$ 5,035,668</u>	<u>\$ 90,003</u>	<u>\$ 6,024,751</u>	<u>\$ 214,179,754</u>

M. Deficit Fund Balance

Special Revenue Fund:

 Economic Development Authority Bond \$ 1,859,087

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 3: Detailed Notes on All Funds (continued)

N. Excess Expenditures over Appropriations

At December 31, 2024, excess of expenditures over appropriations, all the result of a planned process, were as follows:

<u>Special Revenue Funds</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Excess</u>
Airport Operations Fund	\$ 6,171,866	\$ 5,418,563	\$ 753,303
Mayo Civic Center	152,811	137,776	15,035

NOTE 4: Other Information

A. Risk Management

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

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$6,458,766 reported in the Fund at December 31, 2024 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, 2024 and 2023 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2024	\$ 7,806,006	\$ 25,066,829	\$ (26,414,069)	\$ 6,458,766
2023	2,911,412	24,982,462	(20,087,868)	7,806,006

B. Commitments

Resource Management Agreement

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

B. Commitments (continued)

Service Territory Settlements

Under settlement agreements with People's Energy Cooperative (PEC), the Electric Utility is required to make payments to PEC related to the acquisitions of certain electric service rights from PEC. The payment is based on kilowatt hours (kWh) sold in acquired areas and varies by each settlement agreement. The kWh compensation rate ranges from 16.23 mills (tenths of a cent) per kWh to 30.21 mills per kWh. These commitments expire over various periods with a maximum term of ten years for each acquisition. Costs are recognized under these agreements as service is provided and are recorded as a regulatory asset for utility rate-making purposes under the provisions of GASB Statement No. 62 and amortized over forty years.

Southern Minnesota Municipal Power Agency

The Electric Utility is a voting member of the Southern Minnesota Municipal Power Agency (SMMPA). The Utility has entered into a power purchase contract with SMMPA, whereby SMMPA will provide all Utility power requirements up to 216 megawatts, the contract rate of delivery (CROD). This contract expires in the year 2030. In 1999, the Utility and SMMPA agreed to a CROD that began in 2000. The CROD caps the amount of power SMMPA must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The Utility purchased 1,159,041,494 kilowatt hours totaling \$98,900,205 from SMMPA during the year ended December 31, 2024.

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

The Energy Authority

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

B. Commitments (continued)

Purchase Commitments/Encumbrances:

The City has active construction projects and equipment purchase commitments. As of December 31, 2024, the City's commitments with contractors and vendors were as follows:

	<u>Remaining Commitment</u>
General Fund:	
Equipment Purchase Commitments*	<u>\$ 1,919,226</u>
Capital Improvement Fund:	
Major Street Projects	14,819,483
Sewer and Water Projects	1,382,815
Sidewalk Projects	360,111
Bridge Projects	131,323
Storm Water / Storm Sewer Projects	576,958
Flood Control	17,816
Water Reclamation Projects	89,825,586
Parking Ramp Rehabilitation	2,312,852
Airport Projects	25,166,628
Mass Transit Bus Shelters	23,741
Steam Replacement Infrastructure	1,668,154
Parks Projects - Various	706,216
Rec Center	456,769
Destination Medical Center	545,065
Equipment Purchase Commitments	<u>5,464,975</u>
Total Capital Improvement Fund	<u>143,458,492</u>
Enterprise Funds:	
Electric Projects	4,872,280
Water Projects	<u>4,321,013</u>
Total Enterprise Funds	<u>9,193,293</u>
Totals	<u>\$ 154,571,011</u>

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

C. Contingent Liabilities

General Litigation:

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

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Neighborhood Stabilization Program, Federal Transit, and Airport Improvement programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2024, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Deferred Compensation

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

E. Employee Retirement Systems

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for per-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

1. General Employees Plan Benefits

General Employees Plan requires three year of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

2. Police and Fire Plan Benefits (continued)

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

Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$4,965,348. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024 were, \$4,908,825. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$28,918,633 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$747,777.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

City's proportionate share of the net pension liability	\$28,918,633
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>747,777</u>
Total	<u>\$29,666,410</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.7822 percent at the end of the measurement period and 0.7757 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$(3,899,439) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$(14,357) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$1,330,522 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,712,682	\$
Changes in actuarial assumptions	140,913	10,878,463
Net difference between projected and actual earnings on pension plan investments		8,411,724
Changes in proportion	274,027	231,097
Employer contributions subsequent to the measurement date	2,605,533	
Total	\$ 5,733,155	\$ 19,521,284

The \$2,605,533 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2025	\$ (9,179,939)
2026	(1,553,374)
2027	(3,443,899)
2028	(2,216,450)

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$26,348,928 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 2.0028 percent at the end of the measurement period and 2.0285 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$1,004,411.

City’s proportionate share of the net pension liability	\$26,348,928
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>1,004,411</u>
Total	<u>\$27,353,339</u>

For the year ended December 31, 2024, the City recognized pension expense of \$(1,293,409) for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$97,535 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$180,250 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 10,424,700	\$
Changes in actuarial assumptions	29,959,708	39,301,183
Net difference between projected and actual earnings on pension plan investments		8,124,666
Changes in proportion	307,213	2,953,998
Employer contributions subsequent to the measurement date	2,821,288	
Total	\$ 43,512,909	\$ 50,379,847

The \$2,821,288 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2025	\$ (1,669,842)
2026	6,579,108
2027	(4,215,437)
2028	(10,915,260)
2029	533,205

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Aggregate Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$(5,109,670).

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate rates of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, use the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan and for the Police and Fire Plan.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1% for the Police & Fire Plan.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods and Assumptions (continued)

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods and Assumptions (continued)

Police and Fire Fund

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Sensitivity Analysis

Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	\$ 63,162,948	6.00%	\$ 62,267,662
Current Discount Rate	7.00%	\$ 28,918,633	7.00%	\$ 26,348,928
1% Higher	8.00%	\$ 749,560	8.00%	\$ (3,147,870)

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 5: Accounting for the Effects of Rate Regulation

The Electric and Water funds are subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 10, 1989 FASB and AICPA Pronouncements*. In order for a rate-regulated entity to continue to apply the provisions of GASB Statement No. 62, it must continue to meet the criteria as outlined by the Statement. Based upon the Utilities' management evaluation of the criteria in relation to its operations, and the effect of competition on its ability to recover its costs, the Electric and Water funds believe that GASB Statement No. 62 continues to apply.

NOTE 6: Tax Abatement Agreements

As of December 31, 2024, the City only provides tax abatements through Pay-as-You-Go (PAYG) Tax Increment Financing (TIF) District agreements under Minnesota Statutes, Sections 469.174 through 469.179. The PAYG TIF Districts in the City pay a developer up to 95% of the previous six months tax increment collected in order to assist with funding a development project. As of December 31, 2024, the City had thirty-seven said Districts in which \$7,979,231 of tax revenue was paid out to developers under these agreements.

NOTE 7: Subsequent Events

In April 2025 the City issued General Obligation Tax Abatement Bonds Series 2025A for \$10,880,000 with an interest rate of 5.00%. The bonds were issued for the purpose of financing the relocation and construction of a parks and forestry building at the PWTOC campus.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 18, 2025, the date the financial statements were available to be issued.

CITY OF ROCHESTER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024

CITY OF ROCHESTER, MINNESOTA
Schedules of City Pension Contributions
December 31, 2024

PERA General Employees Retirement Fund
Last Ten Years

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 3,212,117	\$ 3,212,117	\$	\$ 42,828,227	7.50%
2016	3,383,825	3,383,825		45,117,667	7.50%
2017	3,721,078	3,721,078		49,614,373	7.50%
2018	3,765,952	3,765,952		50,212,693	7.50%
2019	3,966,432	3,966,432		52,885,760	7.50%
2020	4,181,509	4,181,509		55,753,453	7.50%
2021	4,232,250	4,232,250		56,430,000	7.50%
2022	4,385,681	4,385,681		58,475,747	7.50%
2023	4,626,572	4,626,572		61,687,627	7.50%
2024	4,965,348	4,965,348		66,204,640	7.50%

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

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 3,140,595	\$ 3,140,595	\$	\$ 19,386,389	16.20%
2016	3,342,831	3,342,831		20,634,759	16.20%
2017	3,669,622	3,669,622		22,651,988	16.20%
2018	3,648,935	3,648,935		22,524,290	16.20%
2019	3,864,563	3,864,563		22,799,782	16.95%
2020	4,141,317	4,141,317		23,397,271	17.70%
2021	4,219,288	4,219,288		23,837,785	17.70%
2022	4,507,928	4,507,928		25,468,520	17.70%
2023	4,714,861	4,714,861		26,637,633	17.70%
2024	4,908,825	4,908,825		27,733,475	17.70%

CITY OF ROCHESTER, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2024

PERA General Employees Retirement Fund
Last Ten Years

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.7410%	\$ 38,402,466	\$	\$ 38,402,466	\$ 46,112,718	83.28%	78.20%
2016	0.7271%	59,036,914	771,048	59,807,962	43,972,947	136.01%	68.90%
2017	0.7701%	49,162,676	618,213	49,780,889	47,366,020	105.10%	75.90%
2018	0.7471%	41,446,045	1,359,493	42,805,538	49,913,533	85.76%	79.53%
2019	0.7473%	41,316,543	1,284,111	42,600,654	51,549,227	82.64%	80.23%
2020	0.7818%	46,872,483	1,445,366	48,317,849	54,319,607	88.95%	79.06%
2021	0.7838%	33,471,771	1,022,240	34,494,011	56,091,727	61.50%	87.00%
2022	0.7807%	61,831,698	1,812,748	63,644,446	57,452,873	110.78%	76.70%
2023	0.7757%	43,376,275	1,195,758	44,572,033	60,081,687	74.19%	83.10%
2024	0.7822%	28,918,633	747,777	29,666,410	63,946,133	46.39%	89.10%

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

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (b)	City's Proportionate Share (Amount) of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	2.1770%	\$ 24,735,814	\$	\$ 24,735,814	\$ 20,924,808	118.21%	86.60%
2016	2.1420%	85,962,187		85,962,187	20,010,574	429.58%	63.90%
2017	2.2070%	29,797,126		29,797,126	21,643,373	137.67%	85.40%
2018	2.1372%	22,780,351		22,780,351	22,588,139	100.85%	88.84%
2019	2.2104%	23,531,941		23,531,941	22,662,036	103.84%	89.26%
2020	2.1182%	27,920,142	657,748	28,577,890	23,098,526	123.72%	87.19%
2021	2.0170%	15,569,102	699,917	16,269,019	25,017,452	65.03%	93.66%
2022	2.0966%	91,235,750	3,985,518	95,221,268	11,918,893	798.91%	70.50%
2023	2.0285%	35,029,558	1,411,009	36,440,567	12,734,260	286.16%	86.50%
2024	2.0028%	26,348,928	1,004,411	27,353,339	13,318,816	205.37%	90.20%

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

Total OPEB Liability	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 884,947	\$ 846,196	\$ 1,116,742	\$ 1,010,612	\$ 857,266	\$ 726,221	\$ 762,822
Interest cost	680,411	388,328	349,415	445,845	443,785	371,228	347,995
Assumption changes	837,475	(2,893,622)	503,957	1,123,571	1,572,227	(339,748)	
Plan changes	(121,152)						
Differences between expected and actual experience	(65,164)		949,631		1,179,725		
Benefit payments	(838,574)	(737,616)	(669,796)	(508,608)	(512,148)	(408,344)	(332,645)
Net change in total OPEB liability	1,377,943	(2,396,714)	2,249,949	2,071,420	3,540,855	349,357	778,172
Total OPEB Liability - beginning of year	16,540,493	18,937,207	16,687,258	14,615,838	11,074,983	10,725,626	9,947,454
Total OPEB Liability - end of year	<u>\$ 17,918,436</u>	<u>\$ 16,540,493</u>	<u>\$ 18,937,207</u>	<u>\$ 16,687,258</u>	<u>\$ 14,615,838</u>	<u>\$ 11,074,983</u>	<u>\$ 10,725,626</u>
 Covered-Employee Payroll	 \$ 87,761,472	 \$ 83,229,985	 \$ 80,805,811	 \$ 80,021,675	 \$ 77,502,833	 \$ 72,914,859	 \$ 70,791,125
 Total OPEB Liability as a % of payroll	 20%	 20%	 23%	 21%	 19%	 15%	 15%

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

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

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

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL NONMAJOR
FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2024

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2024

SPECIAL REVENUE FUNDS

Library Fund:

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

Municipal Recreation System Fund:

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

Mayo Civic Center Fund:

This fund was created by Council resolution, under the authority of City Charter Chapter XI to account for the activities of the Mayo Civic Center. Beginning in 2020, the City contracts with an outside entity to manage operations of the Center which is now reported in the General Fund.

Edward Byrne Memorial JAG Fund:

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

Airport Operations Fund:

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

The F.E. Williams Estate Fund:

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

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

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

Minnesota Bio Science Center Fund:

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

Community Development Projects Fund:

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

DMCC Fund:

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

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2024

DEBT SERVICE FUNDS

Tax Increment Bonds Fund:

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

TIF Revenue Bond Fund:

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

Economic Development Authority Bond Fund:

This fund is used to account for the accumulation of resources (transfers from the City of Rochester of sublease revenues and annual appropriation lease payments) for payment of the lease revenue bonds issued by the Rochester Economic Development Authority.

Lodging Tax Revenue Bond Fund:

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

GO Variable Rate Sales Tax Bond Fund:

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

Lease Revenue 2020A Bond Fund:

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

2020C GO Refunding Bond Fund:

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

Energy System Replacement Bond Fund:

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

2023A GO Tax Abatement Bond Fund:

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

CITY OF ROCHESTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2024

	Special Revenue								Minnesota Bio Science Center
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Settlement	
ASSETS									
Cash and cash equivalents	\$ 263,655	\$ 54,999	\$ 64,353	\$	\$ 870,501	\$ 49,094	\$ 552,125	\$ 49,062	\$ 183,204
Investments	3,722,800	3,150,800	910,400		12,315,900	694,300	7,828,400	694,100	2,591,500
Accrued interest receivable	26,626	28,953	6,500		88,016	5,000	55,933	4,999	18,495
Accounts receivable (net of allowance for uncollectibles)	15	610,950			1,284,392		42,404		114,063
Lease receivable					1,577,216				4,365,760
Loans receivable									
Taxes receivable delinquent	136,532	165,489			9,750		134		
Special assessments receivable delinquent		103,385							
Due from other funds									
Due from other governmental units	51,288	284,292	72,648	13,179	82,785				
Prepaid items	4,501								
Restricted cash and investments Inventory		4,650					24,149		
TOTAL ASSETS	\$ 4,205,417	\$ 4,403,518	\$ 1,053,901	\$ 13,179	\$ 16,228,560	\$ 748,394	\$ 8,503,145	\$ 748,161	\$ 7,273,022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ 72,131	\$ 215,931	\$	\$	\$ 288,383	\$	\$ 1,071,286	\$	\$
Accrued compensation and payroll taxes	364,128	410,590					62,381		42
Due to other funds	8,738	64,490		13,179	36,471		5,034		
Advances from other funds									
Unearned revenue		212,139			603,000				
Due to other governmental units	2,385	173,069			11,271		2,076,951		
Total Liabilities	447,382	1,076,219		13,179	939,125		3,215,652		42
Deferred Inflows of Resources:									
Unavailable revenue:									
Property taxes	136,532	165,489			9,750		134		
Special assessments		103,385							
Loans receivable									
Leases receivable					1,577,216				4,365,760
Total Deferred Inflows of Resources	136,532	268,874			1,586,966		134		4,365,760
Fund Balance:									
Nonspendable	4,501	4,650					24,149		
Restricted					13,702,469	748,394		748,161	
Assigned	3,617,002	3,053,775	1,053,901				5,263,210		2,907,220
Unassigned									
Total Fund Balance	3,621,503	3,058,425	1,053,901		13,702,469	748,394	5,287,359	748,161	2,907,220
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,205,417	\$ 4,403,518	\$ 1,053,901	\$ 13,179	\$ 16,228,560	\$ 748,394	\$ 8,503,145	\$ 748,161	\$ 7,273,022

Community Development Projects	DMCC	Debt Service									Total Nonmajor Governmental Funds
		Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	Energy System Replacement Bond	2023A GO Tax Abatement Bond	
\$ 51,008	\$ 65,051	\$	\$	\$ 1,158	\$	\$ 116	\$ 1,501,202	\$ 2,117,266	\$ 1,682,766	\$	\$ 7,505,560
							9,073	12,796	10,170		31,908,200
18,956	100,000										266,561
4,139,053											2,170,780
								64,192			5,942,976
	239,946										4,139,053
67,885	25,700			39,755			8,492	9,269	6,340		376,097
							258				103,385
											239,946
											596,178
											69,956
											258
											28,799
\$ 4,276,902	\$ 430,697	\$	\$	\$ 40,913	\$	\$ 116	\$ 1,519,025	\$ 2,203,523	\$ 1,699,276	\$	\$ 53,347,749
\$ 100,045	\$ 303,997	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 2,051,773
	101,000			1,900,000							837,099
	25,700										228,954
11,665									80		1,900,000
111,710	430,697			1,900,000					80		840,839
											2,275,421
											8,134,086
								64,192			376,097
4,139,053											103,385
											4,139,053
4,139,053								64,192			5,942,976
											10,561,511
	25,700			39,755							98,755
26,139						116	1,519,025	2,139,331	1,699,196		20,556,692
	(25,700)			(1,898,842)							15,921,247
26,139				(1,859,087)		116	1,519,025	2,139,331	1,699,196		(1,924,542)
											34,652,152
\$ 4,276,902	\$ 430,697	\$	\$	\$ 40,913	\$	\$ 116	\$ 1,519,025	\$ 2,203,523	\$ 1,699,276	\$	\$ 53,347,749

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	Special Revenue								Minnesota Bio Science Center
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Settlement	
REVENUES									
General property taxes	\$ 8,268,119	\$ 10,358,974	\$	\$	\$ 582,124	\$	\$ 14	\$	\$
Tax increment collection									
Nonproperty tax			363,203						
Intergovernmental revenues	1,258,289	140,817		30,710	1,365,527		12,959,601	483,145	
Charges for services	37,756	4,985,469			3,077,278		1,513,515		
Interest earnings	68,696	42,702	29,329		340,352	20,385	241,630	18,246	67,575
Net increase in the fair value of investments	42,800	43,800	11,200		124,800	8,200	84,800	3,800	28,900
Rental revenues		3,500			2,248,080				2,615,750
Miscellaneous revenues	281,080	299,550			12,538		248,476		
Total Revenues	9,956,740	15,874,812	403,732	30,710	7,750,699	28,585	15,048,036	505,191	2,712,225
EXPENDITURES									
Public safety				30,710				120,000	
Culture	9,760,235								
Park and recreation		14,898,769	152,811						
Airport operations					6,171,866				
Transit							14,066,540		
Economic development/tourism									1,551,693
Debt service									
Total Expenditures	9,760,235	14,898,769	152,811	30,710	6,171,866		14,066,540	120,000	1,551,693
Excess (deficiency) of revenues over (under) expenditures	<u>196,505</u>	<u>976,043</u>	<u>250,921</u>		<u>1,578,833</u>	<u>28,585</u>	<u>981,496</u>	<u>385,191</u>	<u>1,160,532</u>
OTHER FINANCING SOURCES (USES)									
Issuance of debt									
Transfers in		90,705							
Transfers out	(25,000)	(620,262)	(225,427)				(412,939)		(929,614)
Total Other Financing Sources (Uses)	(25,000)	(529,557)	(225,427)				(412,939)		(929,614)
Net change in fund balances	171,505	446,486	25,494		1,578,833	28,585	568,557	385,191	230,918
Fund Balances - beginning	3,449,998	2,611,939	1,028,407		12,123,636	719,809	4,718,802	362,970	2,676,302
Fund Balances - ending	<u>\$ 3,621,503</u>	<u>\$ 3,058,425</u>	<u>\$ 1,053,901</u>	<u>\$</u>	<u>\$ 13,702,469</u>	<u>\$ 748,394</u>	<u>\$ 5,287,359</u>	<u>\$ 748,161</u>	<u>\$ 2,907,220</u>

Community Development Projects	DMCC	Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Lodging Tax Revenue Bond	Debt Service				2023A GO Tax Abatement Bond	Total Nonmajor Governmental Funds
						GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	Energy System Replacement Bond		
\$	\$	\$ 396,430	\$	\$	\$	\$	\$ 1,406,639	\$ 1,394,368	\$ 1,050,298	\$	\$23,060,536
											396,430
											363,203
1,138,023											17,376,112
14,686						177	24,694	40,304	34,055		9,614,018
											942,831
											348,300
179,634											4,867,330
1,332,343		396,430				177	1,431,333	1,434,672	1,084,353		1,021,278
											57,990,038
											150,710
											9,760,235
											15,051,580
											6,171,866
											14,066,540
858,380	2,800,395			23,719							5,234,187
		396,430	1,449,981	2,246,188	3,105,988	383,128		1,332,606	111,954	696,034	9,722,309
858,380	2,800,395	396,430	1,449,981	2,269,907	3,105,988	383,128		1,332,606	111,954	696,034	60,157,427
473,963	(2,800,395)		(1,449,981)	(2,269,907)	(3,105,988)	(382,951)	1,431,333	102,066	972,399	(696,034)	(2,167,389)
											114,000
	2,800,395		1,449,981	2,254,614	3,105,988	382,767			114,000	695,972	10,780,422
(447,824)							(1,325,000)				(3,986,066)
(447,824)	2,800,395		1,449,981	2,254,614	3,105,988	382,767	(1,325,000)		114,000	695,972	6,908,356
26,139				(15,293)		(184)	106,333	102,066	1,086,399	(62)	4,740,967
				(1,843,794)		300	1,412,692	2,037,265	612,797	62	29,911,185
\$ 26,139	\$	\$	\$	\$ (1,859,087)	\$	\$ 116	\$ 1,519,025	\$ 2,139,331	\$ 1,699,196	\$	\$34,652,152

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

For the Year Ended December 31, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,330,636	\$ 8,330,636	\$ 8,268,119	\$ (62,517)
Intergovernmental revenues	1,189,842	1,264,289	1,258,289	(6,000)
Charges for services	15,454	15,454	37,756	22,302
Interest earnings	16,000	49,154	68,696	19,542
Net increase in the fair value of investments			42,800	42,800
Miscellaneous revenues:				
Contributions		226,579	280,202	53,623
Other	1,817	1,817	878	(939)
Total Revenues	9,553,749	9,887,929	9,956,740	68,811
EXPENDITURES				
Public Library	9,697,168	9,704,595	9,442,013	262,582
Gifts appropriations		332,990	318,222	14,768
Total Expenditures	9,697,168	10,037,585	9,760,235	277,350
Excess (deficiency) of revenues over (under) expenditures	(143,419)	(149,656)	196,505	346,161
OTHER FINANCING USES				
Transfers out	(25,000)	(25,000)	(25,000)	
Net change in fund balance	(168,419)	(174,656)	171,505	346,161
Fund Balance - beginning	3,449,998	3,449,998	3,449,998	
Fund Balance - ending	\$ 3,281,579	\$ 3,275,342	\$ 3,621,503	\$ 346,161

**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, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 10,438,170	\$ 10,438,170	\$ 10,358,974	\$ (79,196)
Intergovernmental revenues	127,192	127,682	140,817	13,135
Charges for services	4,466,355	4,467,791	4,985,469	517,678
Interest earnings	12,300	12,300	42,702	30,402
Net increase in the fair value of investments			43,800	43,800
Rental revenues	1,040	1,040	3,500	2,460
Miscellaneous revenues:				
Contributions	11,960	46,461	40,628	(5,833)
Other	196,017	203,599	258,922	55,323
Total Revenues	15,253,034	15,297,043	15,874,812	577,769
EXPENDITURES				
Administration	737,004	737,027	719,240	17,787
Recreation Department	794,075	819,712	928,007	(108,295)
Golf	1,917,516	1,946,597	2,120,361	(173,764)
Tennis Center	58,856	58,856	71,650	(12,794)
Volleyball Center	458,001	458,001	531,043	(73,042)
Swimming Pools	157,494	303,199	313,141	(9,942)
Graham Arenas	995,895	995,895	995,363	532
Park	8,104,760	8,138,444	7,592,979	545,465
Plummer House	108,002	108,002	90,810	17,192
Recreation Center	1,539,177	1,542,255	1,536,175	6,080
Total Expenditures	14,870,780	15,107,988	14,898,769	209,219
Excess of revenues over expenditures	382,254	189,055	976,043	786,988
OTHER FINANCING SOURCES (USES)				
Transfers in		90,705	90,705	
Transfers out	(411,662)	(620,262)	(620,262)	
Total Other Financing Sources (Uses)	(411,662)	(529,557)	(529,557)	
Net change in fund balance	(29,408)	(340,502)	446,486	786,988
Fund Balance - beginning	2,611,939	2,611,939	2,611,939	
Fund Balance - ending	\$ 2,582,531	\$ 2,271,437	\$ 3,058,425	\$ 786,988

CITY OF ROCHESTER, MINNESOTA
MAYO CIVIC CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 363,203	\$ 363,203	\$ 363,203	\$
Interest earnings			29,329	29,329
Net increase in the fair value of investments			11,200	11,200
Total Revenues	<u>363,203</u>	<u>363,203</u>	<u>403,732</u>	<u>40,529</u>
EXPENDITURES				
Mayo Civic Center	<u>137,776</u>	<u>137,776</u>	<u>152,811</u>	<u>(15,035)</u>
Excess of revenues over expenditures	225,427	225,427	250,921	25,494
OTHER FINANCING USES				
Transfers out	<u>(225,427)</u>	<u>(225,427)</u>	<u>(225,427)</u>	
Net change in fund balance			25,494	25,494
Fund Balance - beginning	<u>1,028,407</u>	<u>1,028,407</u>	<u>1,028,407</u>	
Fund Balance - ending	<u>\$ 1,028,407</u>	<u>\$ 1,028,407</u>	<u>\$ 1,053,901</u>	<u>\$ 25,494</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, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 586,352	\$ 586,352	\$ 582,124	\$ (4,228)
Intergovernmental revenues	1,528,000	1,528,000	1,365,527	(162,473)
Charges for services	2,284,944	2,284,944	3,077,278	792,334
Interest earnings	119,000	119,000	340,352	221,352
Net increase in the fair value of investments			124,800	124,800
Rental revenues	2,097,337	2,097,337	2,248,080	150,743
Miscellaneous revenues	10,000	10,000	12,538	2,538
Total Revenues	<u>6,625,633</u>	<u>6,625,633</u>	<u>7,750,699</u>	<u>1,125,066</u>
EXPENDITURES				
Airport operations	5,253,833	5,253,833	5,865,174	(611,341)
US customs operations	164,730	164,730	306,692	(141,962)
Total Expenditures	<u>5,418,563</u>	<u>5,418,563</u>	<u>6,171,866</u>	<u>(753,303)</u>
Net change in fund balance	1,207,070	1,207,070	1,578,833	371,763
Fund Balance - beginning	<u>12,123,636</u>	<u>12,123,636</u>	<u>12,123,636</u>	
Fund Balance - ending	<u>\$ 13,330,706</u>	<u>\$ 13,330,706</u>	<u>\$ 13,702,469</u>	<u>\$ 371,763</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, 2024

	<u>Budgeted Amounts</u>		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Interest earnings	\$ 7,000	\$ 7,000	\$ 20,385	\$ 13,385
Net increase in the fair value of investments			8,200	8,200
Net change in fund balance	7,000	7,000	28,585	21,585
Fund Balance - beginning	<u>719,809</u>	<u>719,809</u>	<u>719,809</u>	
Fund Balance - ending	<u>\$ 726,809</u>	<u>\$ 726,809</u>	<u>\$ 748,394</u>	<u>\$ 21,585</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, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 14	\$ 14
Intergovernmental revenues	13,726,764	13,726,764	12,959,601	(767,163)
Charges for services	1,948,000	1,948,000	1,513,515	(434,485)
Interest earnings	92,000	92,000	241,630	149,630
Net increase in the fair value of investments			84,800	84,800
Miscellaneous revenues	98,000	169,925	248,476	78,551
Total Revenues	<u>15,864,764</u>	<u>15,936,689</u>	<u>15,048,036</u>	<u>(888,653)</u>
EXPENDITURES				
Fixed route	12,742,088	12,869,686	12,247,609	622,077
Demand response - ZIPS	1,243,529	1,243,529	1,755,608	(512,079)
Link rapid transit	133,598	133,598	63,323	70,275
Total Expenditures	<u>14,119,215</u>	<u>14,246,813</u>	<u>14,066,540</u>	<u>180,273</u>
Excess (deficiency) of revenues over (under) expenditures	1,745,549	1,689,876	981,496	(708,380)
OTHER FINANCING USES				
Transfers out	<u>(349,408)</u>	<u>(349,408)</u>	<u>(412,939)</u>	<u>(63,531)</u>
Net change in fund balance	1,396,141	1,340,468	568,557	(771,911)
Fund Balance - beginning	<u>4,718,802</u>	<u>4,718,802</u>	<u>4,718,802</u>	
Fund Balance - ending	<u>\$ 6,114,943</u>	<u>\$ 6,059,270</u>	<u>\$ 5,287,359</u>	<u>\$ (771,911)</u>

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

For the Year Ended December 31, 2024

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Economic development/tourism	\$ 3,061,437	\$ 3,061,437	\$ 2,800,395	\$ 261,042
Excess (deficiency) of revenues over (under) expenditures	(3,061,437)	(3,061,437)	(2,800,395)	261,042
OTHER FINANCING SOURCES				
Transfers in	3,061,437	3,061,437	2,800,395	(261,042)
Net change in fund balance				
Fund Balance - beginning				
Fund Balance - ending	\$	\$	\$	\$

CITY OF ROCHESTER, MINNESOTA
COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES (CONTINUED)
INTERNAL SERVICE FUNDS
DECEMBER 31, 2024

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

Equipment Revolving Fund:

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

Information Technology Revolving Fund:

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

Self-Insurance Fund:

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

Employee Benefits Fund:

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

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2024

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 802,371	\$ 559,500	\$ 2,163,604	\$ 352,423	\$ 3,877,898
Investments	11,669,700	7,729,600	30,610,500	4,985,800	54,995,600
Accrued interest receivable	83,429	55,294	218,979	35,612	393,314
Accounts receivable	81,944		292,167		374,111
Taxes receivable delinquent	5,925	486			6,411
Restricted cash and investments			90,015		90,015
Advances to other funds			3,072,315		3,072,315
Due from other governmental units	2,056				2,056
Total Current Assets	<u>12,645,425</u>	<u>8,344,880</u>	<u>36,447,580</u>	<u>5,373,835</u>	<u>62,811,720</u>
Noncurrent Assets:					
Capital assets:					
Construction in process	1,531,524				1,531,524
Machinery and equipment	48,740,648	6,047,290			54,787,938
Less: Accumulated depreciation	<u>(34,130,460)</u>	<u>(4,086,232)</u>			<u>(38,216,692)</u>
Total capital assets (net of accumulated depreciation)	<u>16,141,712</u>	<u>1,961,058</u>			<u>18,102,770</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from OPEB activity			4,015,861		4,015,861
Total Assets and Deferred Outflows of Resources	<u>28,787,137</u>	<u>10,305,938</u>	<u>40,463,441</u>	<u>5,373,835</u>	<u>84,930,351</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	391,051	68,743	486,951		946,745
Accrued interest payable	15,791				15,791
Deposits payable			1,152		1,152
Unearned revenue			232,993		232,993
Due to other governmental units		8,002	2,228		10,230
Accrued claims			5,332,842		5,332,842
Bonds payable	280,000				280,000
Capital lease payable	209,013				209,013
Subscription liability		311,262			311,262
Post employment benefit obligation			942,384		942,384
Total Current Liabilities	<u>895,855</u>	<u>388,007</u>	<u>6,998,550</u>		<u>8,282,412</u>
Noncurrent Liabilities:					
Bonds payable	885,000				885,000
Capital lease payable	777,276				777,276
Subscription liability		655,876			655,876
Accrued claims			1,125,924		1,125,924
Post employment benefit obligation			16,976,052		16,976,052
Total Noncurrent Liabilities	<u>1,662,276</u>	<u>655,876</u>	<u>18,101,976</u>		<u>20,420,128</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from OPEB activity			2,255,150		2,255,150
Total Liabilities and Deferred Inflows of Resources	<u>2,558,131</u>	<u>1,043,883</u>	<u>27,355,676</u>		<u>30,957,690</u>
NET POSITION					
Net investment in capital assets	14,976,712	993,920			15,970,632
Unrestricted	11,252,294	8,268,135	13,107,765	5,373,835	38,002,029
Total Net Position	<u>\$ 26,229,006</u>	<u>\$ 9,262,055</u>	<u>\$ 13,107,765</u>	<u>\$ 5,373,835</u>	<u>\$ 53,972,661</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2024

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 4,114,229	\$ 3,196,301	\$	\$	\$ 7,310,530
Copy center charges	24,883				24,883
Departmental workers' compensation charges			949,306		949,306
Departmental insurance charges			26,354,294		26,354,294
Departmental flex charges			14,281		14,281
Employee insurance charges			3,802,772		3,802,772
Employee flex benefit contributions			596,263		596,263
Total Operating Revenues	<u>4,139,112</u>	<u>3,196,301</u>	<u>31,716,916</u>		<u>39,052,329</u>
Operating Expenses:					
Copy center	17,276				17,276
Minor equipment		563,591			563,591
Workers' compensation benefits			474,341		474,341
Workers' compensation insurance premiums			168,077		168,077
Health insurance claims			26,296,022		26,296,022
Flex benefits			664,872		664,872
Property and liability insurance			1,589,845		1,589,845
Property and liability claims			22,625		22,625
Computer software and maintenance		735,481			735,481
Other	251,994	276,910			528,904
Depreciation and amortization	3,289,661	409,318			3,698,979
Total Operating Expenses	<u>3,558,931</u>	<u>1,985,300</u>	<u>29,215,782</u>		<u>34,760,013</u>
Operating Income	<u>580,181</u>	<u>1,211,001</u>	<u>2,501,134</u>		<u>4,292,316</u>
Nonoperating Revenues (Expenses):					
General property taxes	329,611				329,611
Interest earnings	328,176	230,302	868,588	148,216	1,575,282
Net increase in the fair value of investments	117,300	87,900	336,200	46,700	588,100
Interest and fiscal charges	(38,629)	(44,753)			(83,382)
Gain on disposal of property	134,401				134,401
Other income	12,332				12,332
Total Nonoperating Revenues (Expenses)	<u>883,191</u>	<u>273,449</u>	<u>1,204,788</u>	<u>194,916</u>	<u>2,556,344</u>
Income Before Transfers and Capital Contributions	1,463,372	1,484,450	3,705,922	194,916	6,848,660
Capital contributions	1,210,106	27,171			1,237,277
Transfers in			79,879	1,100,000	1,179,879
Transfers out	(32,907)	(97,052)	(123,840)		(253,799)
Change in Net Position	2,640,571	1,414,569	3,661,961	1,294,916	9,012,017
Total Net Position - beginning	<u>23,588,435</u>	<u>7,847,486</u>	<u>9,445,804</u>	<u>4,078,919</u>	<u>44,960,644</u>
Total Net Position - ending	<u>\$ 26,229,006</u>	<u>\$ 9,262,055</u>	<u>\$ 13,107,765</u>	<u>\$ 5,373,835</u>	<u>\$ 53,972,661</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2024

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 4,113,637	\$ 3,196,311	\$ 27,317,881	\$	\$ 34,627,829
Cash received from employees			4,399,035		4,399,035
Cash paid to suppliers	(271,136)	(1,640,640)	(29,868,006)		(31,779,782)
Other income	12,332				12,332
Net Cash Provided By Operating Activities	3,854,833	1,555,671	1,848,910		7,259,414
Cash Flows From Noncapital Financing Activities:					
General property taxes	331,360	14,438			345,798
Repayment of interfund advance			591,200		591,200
Transfers in			79,879	1,100,000	1,179,879
Transfers out	(32,907)	(97,052)	(123,840)		(253,799)
Net Cash Provided By (Used In) Noncapital Financing Activities	298,453	(82,614)	547,239	1,100,000	1,863,078
Cash Flows From Capital and Related Financing Activities:					
Principal payments on bonds	(270,000)				(270,000)
Interest payments on bonds	(42,287)				(42,287)
Principal payments on subscription liability		(300,650)			(300,650)
Interest payments on subscription liability		(44,753)			(44,753)
Principal payments on capital lease payable	(296,393)				(296,393)
Interest payments on capital lease payable	(27,857)				(27,857)
Proceeds from sale of property	143,440				143,440
Acquisition of capital assets	(1,913,947)	(784,981)			(2,698,928)
Net Cash Used In Capital and Related Financing Activities	(2,407,044)	(1,130,384)			(3,537,428)
Cash Flows From Investing Activities:					
Investment income	304,608	219,345	819,872	136,640	1,480,465
Net increase in investments	(1,653,400)	(302,700)	(2,114,200)	(966,900)	(5,037,200)
Net Cash Used In Investing Activities	(1,348,792)	(83,355)	(1,294,328)	(830,260)	(3,556,735)
Net Increase in Cash and Cash Equivalents	397,450	259,318	1,101,821	269,740	2,028,329
Cash and Cash Equivalents, Beginning of Year	404,921	300,182	1,151,798	82,683	1,939,584
Cash and Cash Equivalents, End of Year	\$ 802,371	\$ 559,500	\$ 2,253,619	\$ 352,423	\$ 3,967,913

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2024

Reconciliation of Operating Income to Net Cash
Provided By Operating Activities

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Income	\$ 580,181	\$ 1,211,001	\$ 2,501,134	\$	\$ 4,292,316
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:					
Depreciation and amortization	3,289,661	409,318			3,698,979
Other income	12,332				12,332
(Increase) Decrease In:					
Accounts receivable	(25,754)		(292,167)		(317,921)
Due from other governmental units	279	10			289
Deferred outflows from OPEB activity			(8,895)		(8,895)
Increase (Decrease) In:					
Accounts payable	(1,866)	(55,972)	22,529		(35,309)
Deposits payable			(14)		(14)
Unearned revenue			56,643		56,643
Due to other governmental units		(8,686)	(56,851)		(65,537)
Post employment benefit obligation			1,377,943		1,377,943
Deferred inflows from OPEB activity			(404,172)		(404,172)
Accrued claims			(1,347,240)		(1,347,240)
	<u>\$ 3,854,833</u>	<u>\$ 1,555,671</u>	<u>\$ 1,848,910</u>	<u>\$</u>	<u>\$ 7,259,414</u>
Net Cash Provided by Operating Activities					
Non Cash Transactions:					
Increase in fair value of investments	\$ 117,300	\$ 87,900	\$ 336,200	\$ 46,700	\$ 588,100
Receipt of contributed property	1,210,106	27,171			1,237,277
Equipment purchases in accounts payable at year end	391,051				391,051
Capital lease additions	1,282,682				1,282,682

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