

CITY OF ROCHESTER, MINNESOTA
FINANCIAL SECTION
DECEMBER 31, 2021

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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, 2021, 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, 2021, 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 57 percent, 50 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 1 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 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.

Responsibilities of Management for the Financial Statements

The City of Rochester, Minnesota's 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.

Responsibilities of Management for the Financial Statements (Continued)

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 one year after the date that the financial statements are issued.

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 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.
- 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 on pages 4 through 18 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.

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

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the introductory section, supplementary information, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 16, 2022 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.



Rochester, Minnesota
June 16, 2022

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CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rochester, Minnesota, we offer readers of the City of Rochester's financial statements this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended December 31, 2021, with comparative data for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, found on pages i - v of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Rochester exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,616,904,556 (*net position*). Of this amount, \$364,755,792 (*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 \$118,530,814.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$270,002,419, an increase of \$17,345,801 in comparison with the prior year. Approximately 15 percent of this total amount, or \$39,743,263, 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 \$43,641,972 or approximately 46 percent of total general fund expenditures. This is slightly above the City's target of 42 percent of expenditures.
- The City of Rochester decreased total outstanding long-term debt obligations by \$37,006,000 during the current fiscal year. The decrease includes a payoff of \$19,325,000 for the 2010A, which was refinanced in 2020, and a refinancing of the 2013B revenue bond.

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Additional explanation of these sections of the financial statements follows.

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

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

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

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

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

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

The City of Rochester maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital improvement fund, both of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided with the *combining statements* on pages 99-109 of this report.

The City of Rochester adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 26-27) and the special revenue funds (pages 103-109) to demonstrate compliance with the budget.

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

CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The basic proprietary fund financial statements can be found on pages 28-35 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36-93 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 99-114 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rochester, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$1,616,904,556 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 347,839,148	\$ 334,088,425	\$ 275,834,922	\$ 264,152,083	\$ 623,674,070	\$ 598,240,508
Capital assets	819,721,491	806,190,811	696,229,551	672,351,429	1,515,951,042	1,478,542,240
Total assets	<u>1,167,560,639</u>	<u>1,140,279,236</u>	<u>972,064,473</u>	<u>936,503,512</u>	<u>2,139,625,112</u>	<u>2,076,782,748</u>
Deferred outflows of resources	46,752,322	20,803,138	11,656,987	2,872,671	58,409,309	23,675,809
Total assets and deferred outflows of resources	<u>1,214,312,961</u>	<u>1,161,082,374</u>	<u>983,721,460</u>	<u>939,376,183</u>	<u>2,198,034,421</u>	<u>2,100,458,557</u>
Long-term liabilities						
outstanding	149,172,691	175,864,700	251,795,452	268,273,777	400,968,143	444,138,477
Other liabilities	73,620,870	95,734,130	32,720,553	36,681,850	106,341,423	132,415,980
Total liabilities	<u>222,793,561</u>	<u>271,598,830</u>	<u>284,516,005</u>	<u>304,955,627</u>	<u>507,309,566</u>	<u>576,554,457</u>
Deferred inflows of resources	59,358,890	22,370,152	14,461,409	3,160,206	73,820,299	25,530,358
Total liabilities and deferred inflows of resources	<u>282,152,451</u>	<u>293,968,982</u>	<u>298,977,414</u>	<u>308,115,833</u>	<u>581,129,865</u>	<u>602,084,815</u>
Net position:						
Net investment in capital assets	683,201,796	664,240,977	487,264,202	446,923,580	1,170,465,998	1,111,164,557
Restricted	81,092,349	90,731,293	590,417	526,250	81,682,766	91,257,543
Unrestricted	167,866,365	112,141,122	196,889,427	183,810,520	364,755,792	295,951,642
Total net position	<u>\$ 932,160,510</u>	<u>\$ 867,113,392</u>	<u>\$ 684,744,046</u>	<u>\$ 631,260,350</u>	<u>\$ 1,616,904,556</u>	<u>\$ 1,498,373,742</u>

An additional portion of the City of Rochester's net position (5.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$364,755,792) 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 \$65,047,118. Most of this increase can be attributable to the capital grants and contributions (primarily street contributions, airport grants, and state grants for Destination Medical Center capital projects). Additional net position growth resulted from increased operating grants and contributions and unused contingency.

Business-type activities. Business-type activities increased the City of Rochester's net position by \$53,483,696. This increase is due to contributions of assets in the storm water, sewer, electric utilities, and water utilities as well as program revenues which exceeded expenses in all business activities.

A condensed version of the Statement of Activities follows:

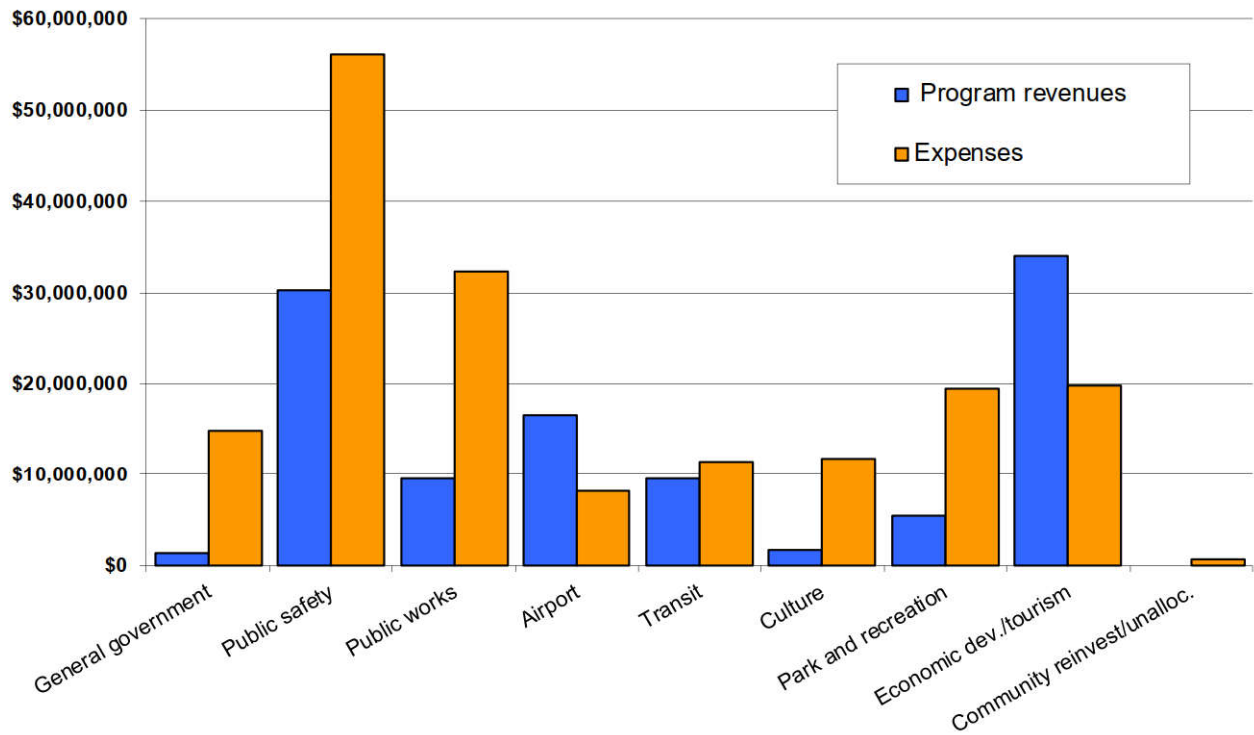
City of Rochester's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program revenues:						
Charges for services	\$ 23,629,212	\$ 19,263,100	\$ 235,555,270	\$ 224,370,278	\$ 259,184,482	\$ 243,633,378
Operating grants and contributions	35,546,030	27,051,632	12,000		35,558,030	27,051,632
Capital grants and contributions	49,325,937	34,471,085	12,928,001	4,909,200	62,253,938	39,380,285
General revenues:						
Property taxes	80,426,235	79,754,265			80,426,235	79,754,265
Other taxes	38,677,757	30,320,625			38,677,757	30,320,625
Grants and contributions not restricted to specific programs						
Local government aid	6,372,634	7,547,074			6,372,634	7,547,074
Other	19,168	176,443			19,168	176,443
Miscellaneous	457,593	8,467,195	1,678,353	4,724,221	2,135,946	13,191,416
Total revenues	<u>234,454,566</u>	<u>207,051,419</u>	<u>250,173,624</u>	<u>234,003,699</u>	<u>484,628,190</u>	<u>441,055,118</u>
Expenses:						
General government	14,891,706	15,299,666			14,891,706	15,299,666
Public safety	56,133,204	56,628,727			56,133,204	56,628,727
Public works	32,317,332	29,873,381			32,317,332	29,873,381
Airport	8,172,986	6,546,820			8,172,986	6,546,820
Transit	11,520,951	11,692,809			11,520,951	11,692,809
Culture	11,706,026	11,666,915			11,706,026	11,666,915
Park and recreation	19,441,787	17,835,183			19,441,787	17,835,183
Economic development/tourism	19,773,316	15,154,618			19,773,316	15,154,618
Community reinvestment/unallocated	695,340	3,254,940			695,340	3,254,940
Interest on long-term debt	3,559,031	4,425,175			3,559,031	4,425,175
Parking			5,767,522	5,066,969	5,767,522	5,066,969
Electric			148,919,929	141,475,382	148,919,929	141,475,382
Water			11,215,782	10,557,106	11,215,782	10,557,106
Sewer			16,409,359	18,522,755	16,409,359	18,522,755
Storm water			5,573,105	5,198,944	5,573,105	5,198,944
Total expenses	<u>178,211,679</u>	<u>172,378,234</u>	<u>187,885,697</u>	<u>180,821,156</u>	<u>366,097,376</u>	<u>353,199,390</u>
Increase in net position before transfers	56,242,887	34,673,185	62,287,927	53,182,543	118,530,814	87,855,728
Transfers	<u>8,804,231</u>	<u>16,645,784</u>	<u>(8,804,231)</u>	<u>(16,645,784)</u>		
Increase in net position	65,047,118	51,318,969	53,483,696	36,536,759	118,530,814	87,855,728
Net position - beginning of year	867,113,392	815,794,423	631,260,350	594,723,591	1,498,373,742	1,410,518,014
Net position, end of year	<u>\$ 932,160,510</u>	<u>\$ 867,113,392</u>	<u>\$ 684,744,046</u>	<u>\$ 631,260,350</u>	<u>\$ 1,616,904,556</u>	<u>\$ 1,498,373,742</u>

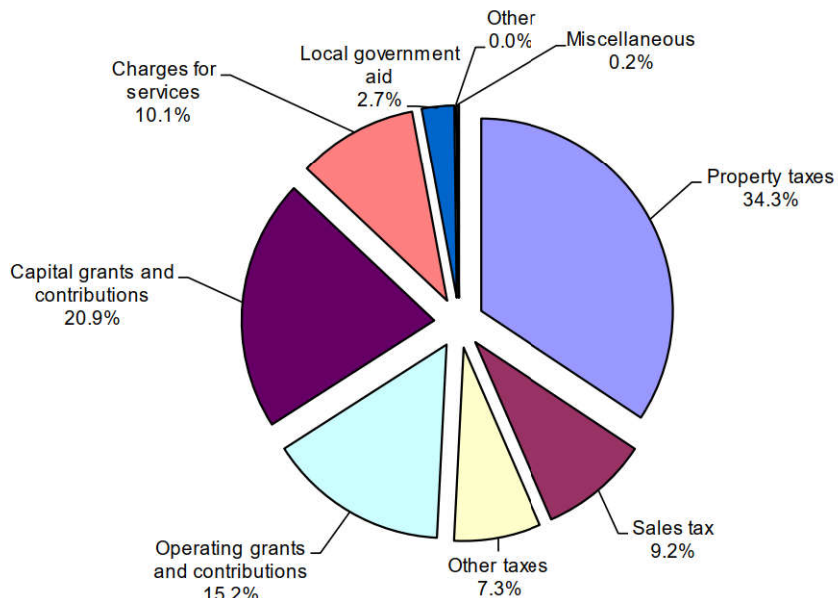
CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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



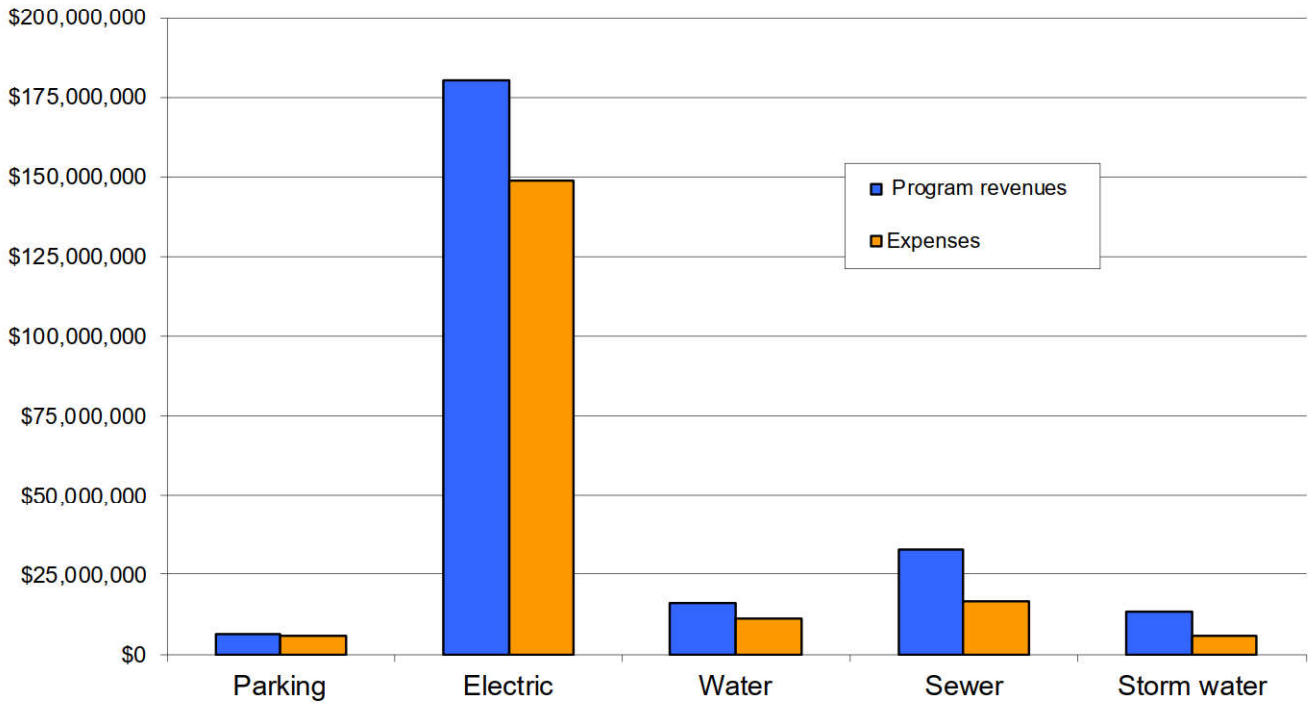
Revenues by Source - Governmental Activities



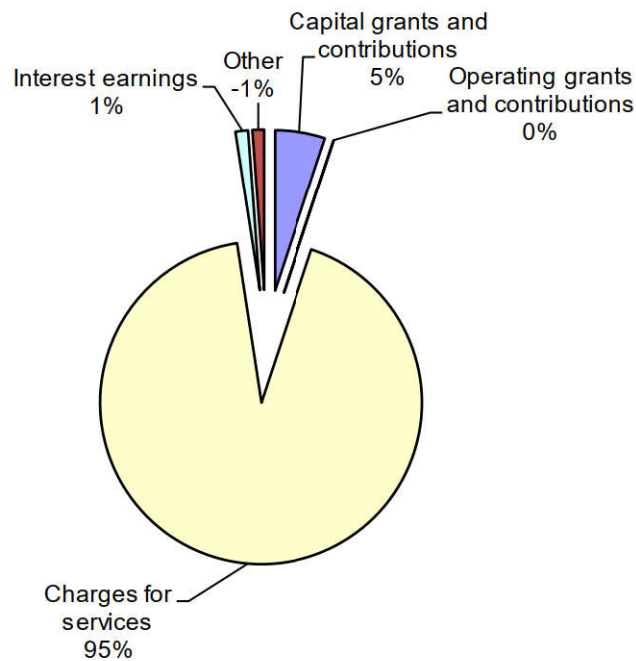
**CITY OF ROCHESTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$270,002,419, an increase of \$17,345,801 from the prior year. The general fund increased fund balance by \$2.1 million due to increased permit revenue, operational savings of various departments, and remaining contingency balance. The capital improvement fund increased fund balance by \$34.2 million, largely due to sales tax collections and state money for Destination Medical Center. Additionally, all other governmental funds reflected a net decrease of \$19 million in fund balance, largely showing up in the Transit fund as well as bond refunding payments.

Approximately 15 percent of the total fund balance, or \$39,743,263, constitutes unassigned fund balance, which is available for spending at the government's discretion, \$1,603,620 is considered to be nonspendable (prepaid or inventory), \$113,438,989 has been restricted by grantors, donors, debt covenants, or regulation, \$101,744,697 has been committed by council action for CIP projects, and \$13,471,850 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 \$2,128,052 from the prior year. At the end of the current fiscal year, unassigned fund balance of the general fund was \$41,717,814 while total fund balance amounted to \$45,046,870. 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 44 percent of total general fund expenditures, while total fund balance represents 48 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 decreased its fund balance by \$70,651 for the year. Much of this increase was the result of lower than expected fine revenue. Operational expenditures were held \$768,691 below the approved budget. Of that amount, \$630,233 related to rollover of unspent gift appropriations.

The municipal recreation fund decreased its fund balance by \$857,907 as a net gain in the Golf program was not enough to offset losses in the Park Operations, Graham Arena, National Volleyball Center, and Rec Center programs. The decrease in fund balance can also be attributed to \$682,662 being transferred out for capital improvement needs.

The Mayo Civic Center fund decreased its fund balance by \$75,920, which can be attributed to \$225,428 being transferred out for repayment of an internal borrowing. The Mayo Civic Center operations are no longer reflected as revenues and expenditures of the City. Beginning January 1, 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 \$1,604,484 for the year to \$9,346,056, which can be attributed to revenues exceeding budget. Additionally, Council provided \$555,588 in budgeted tax levy for the airport in 2021 and there were no transfers to capital improvement projects all in an effort to restore fund balance in this area.

The transit fund saw a decrease in fund balance of \$2,577,066 due to a decrease in grant revenue and transfers out for capital improvement needs.

Minnesota Bio Science Center fund increased fund balance by \$1,087,163, after \$1,226,204 was transferred out for debt service and repayment of internal borrowing. The facility continues to maintain a consistently high occupancy level.

Debt service fund balances decreased by \$18,192,333 due to the payoff of a bond issue that was refunded in 2020.

The capital improvement fund increased fund balance by \$34,271,152 due in large part to the sales tax collections and state money for Destination Medical Center projects.

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

Proprietary funds. The City of Rochester's *proprietary funds* statements found on pages 28-35 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Parking - \$15,058,499 Electric - \$111,951,681, Water - \$9,706,831, Sewer - \$33,320,579, and Storm Water - \$26,100,672. All proprietary funds reported increases in total net position for the year with the exception of Parking.

The Sewer Utility reported a \$17.7 million increase in net position for the year as expenses decreased, capital contributions, increased, and revenues improved from prior year due to scheduled rate increases. The Sewer Utility's rates were increased based upon a rate study completed during 2015, and the City Council adopted a six-year schedule of rate adjustments through 2021. In addition, the "plant investment fee" was increased to \$3,500 in 2020. The schedule of rate increases was necessary as sewer flows continued to fall below plan and funding is needed for significant capital needs.

The Water Utility's net position increased \$4.9 million in 2021 due in part to increased capital contributions. This utility's rates held steady for 2021 and increased 2.5% in January 2022. A water utility cost of service study was completed in 2019, with the Utility Board and City Council accepting a five-year schedule of rate adjustments.

The Electric Utility net position increased \$22.9 million in 2021. This utility's rates held steady in 2021 and increased 1.5% in January 2022. A cost of service study was completed and accepted by the Utility Board and City Council in 2020.

The Parking Enterprise's net position decreased \$1.3 million. Parking revenues increased during 2021, but were surpassed by an increase in transfers related to debt service. During 2018, the City Council approved a rate study setting rates for 2019 through 2023. The plan calls for rate increases every other year with the goal of continual support of operations and capital needs.

The Storm Water Utility's net position increased \$9.9 million in 2021 due to an increase in capital contributions. There was no increase in Storm Water rates. The rate study competed in 2015 creating a five-year rate adjustment expired in 2020.

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 \$584,163 in 2021 primarily due to a decrease in equipment expenses.

The information technology revolving fund's net position increased \$465,151 in 2021 primarily due to an increase in equipment rental revenues.

The self-insurance fund's net position decreased \$2.9 million in 2021 primarily due to an increase in health insurance claims.

The employee benefit fund's net position increased \$1.1 million in 2021 primarily due to transfers from other funds.

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

General Fund Budgetary Highlights

The City approved the 2021 general fund budget anticipating a decrease in fund balance.

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

- Increase in the public safety expenditures due to drug enforcement administration and fire hazmat grant appropriations.
- Increase in attorney budget due to appropriation of revenue.
- Reductions in unallocated contingency account to offset increases in council, city administrator, city clerk, and other initiatives.
- Increase in transfers out for capital improvement projects and appropriation of ARPA dollars.

At the close of the year, general fund total expenditures were \$5,150,160 below final budget while actual revenues were above final budget by \$135,495. These variances to budget can be traced to higher than expected Police and Fire State Aids and savings in most divisions due to cost saving measures and continued affects from the pandemic.

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, 2021, amounts to \$1,515,951,042 (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 \$37,408,802, or 2.5 percent. This increase is a result of significant construction activities on the Airport runway, in infrastructure including streets, underground mains, and continued improvements to the electric distribution and transmission systems.

City of Rochester's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 77,147,997	\$ 75,975,062	\$ 24,207,522	\$ 22,486,382	\$ 101,355,519	\$ 98,461,444
Buildings	272,479,518	276,511,071	312,575,365	305,611,864	585,054,883	582,122,935
Improvements other than buildings	29,776,504	25,068,871			29,776,504	25,068,871
Machinery and equipment	32,817,607	35,647,827	307,746,897	311,685,344	340,564,504	347,333,171
Infrastructure	340,567,939	342,156,512			340,567,939	342,156,512
Construction in progress	66,931,926	50,831,468	51,699,767	32,567,839	118,631,693	83,399,307
Total	<u>\$ 819,721,491</u>	<u>\$ 806,190,811</u>	<u>\$ 696,229,551</u>	<u>\$ 672,351,429</u>	<u>\$ 1,515,951,042</u>	<u>\$ 1,478,542,240</u>

Additional information on the City of Rochester's capital assets can be found in Note 3:E. on pages 57-59 of this report.

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

Long-term debt. At the end of the current fiscal year, the City of Rochester had \$356,633,000 in bonds and notes outstanding. Of this amount, \$166,845,000 comprises debt backed by the full faith and credit of the government, and \$189,788,000 represents bonds and notes secured solely by specified revenue sources. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.

City of Rochester's Outstanding Debt

General Obligation and Revenue Bonds, and Notes Payable

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 1,425,000	\$ 1,740,000	\$	\$	\$ 1,425,000	\$ 1,740,000
General obligation tax increment revenue bonds	19,205,000	19,980,000			19,205,000	19,980,000
General obligation lodging tax revenue bonds	35,200,000	36,710,000			35,200,000	36,710,000
General obligation equipment certificates of indebtedness	1,945,000	2,190,000			1,945,000	2,190,000
General obligation taxable Build America bonds		19,325,000				19,325,000
General obligation refunding bonds	16,460,000	16,460,000			16,460,000	16,460,000
General obligation sales tax revenue bonds	27,660,000	30,305,000			27,660,000	30,305,000
General obligation revenue crossover refunding bonds			64,950,000	72,520,000	64,950,000	72,520,000
Revenue bonds	27,963,000	29,244,000	161,825,000	165,165,000	189,788,000	194,409,000
Total	<u>\$ 129,858,000</u>	<u>\$ 155,954,000</u>	<u>\$ 226,775,000</u>	<u>\$ 237,685,000</u>	<u>\$ 356,633,000</u>	<u>\$ 393,639,000</u>

The City of Rochester's total bonds and notes payable decreased by \$37,006,000 during the current fiscal year.

There was one bond issuance during 2021. A Revenue Refunding Bond in the amount of \$37,170,000 to refinance the 2013B bonds.

Other principal reductions occurred as a result of scheduled debt service payments on existing debt and the payoff of the 2010A bond, which was refunded in 2020. A more detailed breakdown of these obligations can be found in Note 3:H, beginning on page 64.

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

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

Economic Factors and Next Year's Budgets and Rates

- The City began to recover from the impacts of the COVID-19 pandemic and the City partially restored some of the budget cuts enacted in 2020. However, continued impacts were reflected in lodging tax collections, parking enterprise revenue, and transit ridership as large conventions and concerts slowly returned and the hybrid worker in the downtown became an ongoing reality. Budget planning for 2023 continues the use of ARPA dollars and fund reserve carryover to ease the impact on the tax levy.
- Rochester's unemployment rate decreased by 1.5 percent to 2.4 percent by the end of March 2022. This remains below the state and U.S. averages of 2.8 percent and 3.8 percent, respectively. A gain of 5,369 jobs brought the total employment figure through March 2022 to 123,001 from the March 2021 level of 117,633.
- Building activity was up in 2021. Commercial and residential building permits issued for 2021 totaled \$521,166,413. Permit totals were up 42 percent from a year ago and down 7.8 percent from 2019. Permit values for the first quarter of 2022 totaled \$164,489,669. This represents an increase of 64.1 percent over first quarter 2021 and an increase of 61.8 percent over the first quarter of 2020.
- 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 "Heart of the City" was completed in early 2022 while the construction of the "Discovery Walk" area of the downtown was just underway. The transportation studies are complete and pre-design phase of the rapid transit project is underway. These are important steps in securing federal funding this significant project envisioned in the plan. Additionally, transit hub locations have been identified and 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 billion in the DMCC district since initiation of the plan.

- A number of projects under the voter-approved extension of Rochester's 1/2-cent sales tax were completed. Further road and transit facility projects are planned for 2022.
- Construction is well underway 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 6.5% for pay 2022 after council chose not to increase the tax levy for pay 2021 due to continued fiscal impacts the COVID-19 pandemic has had on the community.
- A Park and Recreation referendum was passed in November 2020. The referendum gives \$2 million per year to Park and Recreation beginning with pay 2021.

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

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

- Interest rates have begun 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 investment portfolio.

All of these factors were considered in preparing the City of Rochester's budget for the 2022 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, 2021

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CITY OF ROCHESTER, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,091,317	\$ 35,576,960	\$ 42,668,277
Investments	293,266,828	152,837,852	446,104,680
Land held for resale	625,000		625,000
Receivables (net of allowance for uncollectibles)	20,588,531	22,271,378	42,859,909
Internal balances	(1,795,050)	1,795,050	
Due from other governmental units	25,982,722	187,597	26,170,319
Accrued utility revenues		3,992,073	3,992,073
Restricted cash and investments	476,180	38,331,289	38,807,469
Inventory	1,214,687	6,974,405	8,189,092
Prepaid items	388,933	462	389,395
Other assets		13,867,856	13,867,856
Capital assets:			
Nondepreciable	144,079,923	75,907,289	219,987,212
Depreciable, net	675,641,568	620,322,262	1,295,963,830
Total Assets	<u>1,167,560,639</u>	<u>972,064,473</u>	<u>2,139,625,112</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from OPEB activity	3,716,882		3,716,882
Deferred outflows from pension activity	43,035,440	9,803,668	52,839,108
Unamortized deferred amount on refunding		1,853,319	1,853,319
Total Deferred Outflows of Resources	<u>46,752,322</u>	<u>11,656,987</u>	<u>58,409,309</u>
LIABILITIES			
Accounts and contracts payable	5,345,100	12,316,386	17,661,486
Deposits payable	1,271,316	2,161,349	3,432,665
Accrued interest payable	1,574,681	1,572,118	3,146,799
Accrued compensation and payroll taxes	3,804,108	1,169,826	4,973,934
Accrued claims	3,380,100	6,000	3,386,100
Due to other governmental units	5,982,632	30,224	6,012,856
Unearned revenue	286,095	1,713,357	1,999,452
Noncurrent liabilities:			
Due within one year	14,871,000	17,872,755	32,743,755
Due in more than one year	134,301,691	233,922,697	368,224,388
Other post-employment benefit liability	16,687,258		16,687,258
Net pension liability	35,289,580	13,751,293	49,040,873
Total Liabilities	<u>222,793,561</u>	<u>284,516,005</u>	<u>507,309,566</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from OPEB activity	212,341		212,341
Deferred inflows from pension activity	59,146,549	12,599,822	71,746,371
Unamortized deferred amount on refunding		1,060,365	1,060,365
Solar choice deferred inflows of resources		370,067	370,067
Advance payments on leases		431,155	431,155
Total Deferred Inflows of Resources	<u>59,358,890</u>	<u>14,461,409</u>	<u>73,820,299</u>
NET POSITION			
Net investment in capital assets	683,201,796	487,264,202	1,170,465,998
Restricted for:			
Airport	9,298,610		9,298,610
CDBG loans	3,887,529		3,887,529
Economic development loan	259,910		259,910
Civic music endowment	48,117		48,117
Park and recreation	110,946		110,946
Debt service	2,935,500	590,417	3,525,917
Children's playgrounds	702,235		702,235
Flood control	13,193,501		13,193,501
Tax increment financing	6,643,734		6,643,734
Sales tax authorized projects	44,012,267		44,012,267
Unrestricted	<u>167,866,365</u>	<u>196,889,427</u>	<u>364,755,792</u>
Total Net Position	<u>\$ 932,160,510</u>	<u>\$ 684,744,046</u>	<u>\$ 1,616,904,556</u>

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 14,891,706	\$ 914,193	\$ 163,775	\$ 304,111
Public safety	56,133,204	8,258,978	22,074,588	
Public works	32,317,332	652,836	1,407,671	7,461,461
Airport	8,172,986	5,340,225	1,527,878	9,770,319
Transit	11,520,951	1,454,948	7,658,491	494,925
Culture	11,706,026	15,645	1,586,818	
Park and recreation	19,441,787	3,842,368	202,868	1,320,043
Economic development/tourism	19,773,316	3,150,019	923,941	29,975,078
Community reinvestment/unallocated	695,340			
Interest on long-term debt	3,559,031			
Total governmental activities	178,211,679	23,629,212	35,546,030	49,325,937
Business-Type activities:				
Parking	5,767,522	6,231,066		66,070
Electric utility	148,919,929	175,253,869		4,932,703
Water utility	11,215,782	12,606,890		3,501,172
Sewer utility	16,409,359	31,764,137		1,061,879
Storm water utility	5,573,105	9,699,308	12,000	3,366,177
Total business-type activities	187,885,697	235,555,270	12,000	12,928,001
Total	\$ 366,097,376	\$ 259,184,482	\$ 35,558,030	\$ 62,253,938

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 decrease 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
\$ (13,509,627)	\$	\$ (13,509,627)
(25,799,638)		(25,799,638)
(22,795,364)		(22,795,364)
8,465,436		8,465,436
(1,912,587)		(1,912,587)
(10,103,563)		(10,103,563)
(14,076,508)		(14,076,508)
14,275,722		14,275,722
(695,340)		(695,340)
<u>(3,559,031)</u>		<u>(3,559,031)</u>
<u>(69,710,500)</u>		<u>(69,710,500)</u>
	529,614	529,614
	31,266,643	31,266,643
	4,892,280	4,892,280
	16,416,657	16,416,657
	<u>7,504,380</u>	<u>7,504,380</u>
	<u>60,609,574</u>	<u>60,609,574</u>
<u>(69,710,500)</u>	<u>60,609,574</u>	<u>(9,100,926)</u>
80,426,235		80,426,235
8,087,643		8,087,643
21,470,339		21,470,339
9,119,775		9,119,775
6,372,634		6,372,634
19,168		19,168
4,324,038	3,189,491	7,513,529
152,196	1,469,233	1,621,429
(5,368,092)	(3,076,500)	(8,444,592)
1,349,451	96,129	1,445,580
8,804,231	<u>(8,804,231)</u>	
<u>134,757,618</u>	<u>(7,125,878)</u>	<u>127,631,740</u>
65,047,118	53,483,696	118,530,814
<u>867,113,392</u>	<u>631,260,350</u>	<u>1,498,373,742</u>
<u>\$ 932,160,510</u>	<u>\$ 684,744,046</u>	<u>\$ 1,616,904,556</u>

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CITY OF ROCHESTER, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2021

CITY OF ROCHESTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,022,406	\$ 1,621,634	\$ 3,511,445	\$ 6,155,485
Investments	34,001,628	192,017,000	25,467,600	251,486,228
Land held for resale		625,000		625,000
Accrued interest receivable	405,615	718,986	104,010	1,228,611
Accounts receivable (net of allowance for uncollectibles)	1,190,152	708,873	2,749,049	4,648,074
Loans receivable		541,202	3,887,529	4,428,731
Taxes receivable delinquent	1,256,077	175,976	453,258	1,885,311
Special assessments receivable:				
Deferred		8,094,455		8,094,455
Delinquent	22,389	37,666	83,887	143,942
Due from other funds	1,246,189	1,643,416	222,588	3,112,193
Due from other governmental units	10,608,341	14,832,141	539,263	25,979,745
Prepaid items	171,122	126	217,685	388,933
Restricted cash and investments	48,117	428,063		476,180
Inventory	1,185,659		29,028	1,214,687
TOTAL ASSETS	\$ 51,157,695	\$ 221,444,538	\$ 37,265,342	\$ 309,867,575
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts and contracts payable	\$ 788,027	\$ 3,213,806	\$ 977,723	\$ 4,979,556
Deposits payable	327,331	450,141	515,094	1,292,566
Accrued compensation and payroll taxes	3,219,033		585,075	3,804,108
Due to other funds	261,681	225,052	303,095	789,828
Advances from other funds		6,499,298	1,900,000	8,399,298
Unearned revenue		1,018	78,937	79,955
Due to other governmental units	236,287	6,574	5,724,545	5,967,406
Total Liabilities	4,832,359	10,395,889	10,084,469	25,312,717
Deferred Inflows of Resources:				
Unavailable revenue:				
Property taxes	1,256,077	175,976	453,258	1,885,311
Special assessments	22,389	8,132,121	83,887	8,238,397
Loans receivable		541,202	3,887,529	4,428,731
Total Deferred Inflows of Resources	1,278,466	8,849,299	4,424,674	14,552,439
Fund Balance:				
Nonspendable	1,356,781	126	246,713	1,603,620
Restricted	48,117	100,454,527	12,936,345	113,438,989
Committed		101,744,697		101,744,697
Assigned	1,924,158		11,547,692	13,471,850
Unassigned	41,717,814		(1,974,551)	39,743,263
Total Fund Balance	45,046,870	202,199,350	22,756,199	270,002,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 51,157,695	\$ 221,444,538	\$ 37,265,342	\$ 309,867,575

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2021

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

Total governmental fund balances (page 22)		\$ 270,002,419
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 1,235,598,471	
Less: Accumulated depreciation	<u>(431,272,297)</u>	804,326,174
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes and special assessments	\$ 2,029,253	
Deferred special assessments	8,094,455	
Loans receivable	<u>4,428,731</u>	14,552,439
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and deferred outflows of resources and liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		
		43,456,176
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	\$ 43,035,440	
Deferred inflows related to pensions	<u>(59,146,549)</u>	(16,111,109)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (127,913,000)	
Net pension liability	(35,289,580)	
Compensated absences	(12,224,933)	
Accrued interest	(1,548,318)	
Unamortized bond premium	<u>(7,089,758)</u>	<u>(184,065,589)</u>
Net position of governmental activities (page 19)		<u>\$ 932,160,510</u>

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

For the Year Ended December 31, 2021

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 55,728,560	\$ 6,185,339	\$ 18,778,312	\$ 80,692,211
Tax increment collection		7,688,280	399,363	8,087,643
Sales tax		21,470,339		21,470,339
Special assessments		2,240,959		2,240,959
Utility connection and availability		580,701		580,701
Nonproperty taxes	5,522,325	3,375,901	221,549	9,119,775
Licenses and permits	4,610,818			4,610,818
Fines and forfeits	393,178			393,178
Intergovernmental revenues	29,494,377	42,135,420	12,097,037	83,726,834
Charges for services	4,651,507	405,386	7,353,652	12,410,545
Interest earnings	466,373	2,811,283	416,895	3,694,551
Net decrease in the fair value of investments	(718,693)	(3,344,800)	(522,100)	(4,585,593)
Rental revenues	59,346	713,252	4,450,963	5,223,561
Miscellaneous revenues	1,307,626	2,223,744	1,277,604	4,808,974
Total Revenues	101,515,417	86,485,804	44,473,275	232,474,496
EXPENDITURES				
Current:				
General government	14,293,831			14,293,831
Public safety	58,057,682		24,959	58,082,641
Public works	14,828,082			14,828,082
Airport operations			4,634,461	4,634,461
Transit			9,870,424	9,870,424
Culture	1,951,431		8,535,043	10,486,474
Park and recreation			12,700,810	12,700,810
Economic development/tourism	4,424,131		4,942,710	9,366,841
Community reinvestment and unallocated	695,584			695,584
Debt service			11,807,817	11,807,817
Capital outlay		67,493,087		67,493,087
Total Expenditures	94,250,741	67,493,087	52,516,224	214,260,052
Excess (deficiency) of revenues over (under) expenditures	7,264,676	18,992,717	(8,042,949)	18,214,444
OTHER FINANCING SOURCES (USES)				
Bond refunding payments			(18,375,000)	(18,375,000)
Transfers in	13,596,941	24,621,228	29,829,142	68,047,311
Transfers out	(18,733,565)	(9,342,793)	(22,464,596)	(50,540,954)
Total other financing sources (uses)	(5,136,624)	15,278,435	(11,010,454)	(868,643)
Net change in fund balances	2,128,052	34,271,152	(19,053,403)	17,345,801
Fund Balance - beginning	42,918,818	167,928,198	41,809,602	252,656,618
Fund Balance - ending	\$ 45,046,870	\$ 202,199,350	\$ 22,756,199	\$ 270,002,419

See Notes to the Financial Statements

CITY OF ROCHESTER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

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

Net change in fund balances - total governmental funds (page 24)		\$ 17,345,801
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay-capitalized	\$ 51,480,268	
Depreciation expense	<u>(27,500,075)</u>	23,980,193
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.		
		(8,474,532)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
		(59,924)
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.		
		(2,438,763)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences December 31, 2021	\$ (12,224,933)	
Compensated absences December 31, 2020	<u>12,303,214</u>	78,281
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.		
Principal retirement on long-term debt	\$ 25,851,000	
Change in pension activity	8,049,382	
Amortization of bond premium	517,728	
Change in accrued interest	<u>315,358</u>	34,733,468
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		
		<u>(117,406)</u>
Change in net position of governmental activities (pages 20 and 21)		<u>\$ 65,047,118</u>

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

For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 56,083,536	\$ 56,083,536	\$ 55,728,560	\$ (354,976)
Nonproperty taxes	5,710,872	5,730,265	5,522,325	(207,940)
Licenses and permits	4,688,191	4,688,191	4,610,818	(77,373)
Fines and forfeits	382,308	505,804	393,178	(112,626)
Intergovernmental revenues	10,024,230	28,786,285	29,494,377	708,092
Charges for services	4,169,955	4,309,247	4,651,507	342,260
Interest earnings	235,000	241,027	466,373	225,346
Net decrease in the fair value of investments			(718,693)	(718,693)
Rental revenues	61,310	61,310	59,346	(1,964)
Miscellaneous revenues	729,110	974,257	1,307,626	333,369
Total Revenues	<u>82,084,512</u>	<u>101,379,922</u>	<u>101,515,417</u>	<u>135,495</u>
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	984,801	1,025,631	1,041,785	(16,154)
City Administrator	1,873,674	2,155,863	2,138,737	17,126
Development District Administration	126,746	126,746		126,746
City Clerk	1,189,159	941,299	787,821	153,478
Elections and Voter Registration	92,757	138,345	140,569	(2,224)
Finance Department	2,077,237	2,089,557	1,959,300	130,257
Information Systems	2,374,645	2,374,645	2,372,922	1,723
City Attorney	1,834,488	1,928,387	1,480,911	447,476
Human Resources	2,344,454	2,403,522	2,022,274	381,248
Community Development	1,756,527	1,062,971	861,363	201,608
Planning Services		715,323	657,793	57,530
DSIC and North Station Maintenance	322,833	322,833	312,670	10,163
City Hall Maintenance	559,231	578,402	517,686	60,716
Total General Government	<u>15,536,552</u>	<u>15,863,524</u>	<u>14,293,831</u>	<u>1,569,693</u>
Public Safety:				
Police Department	31,296,286	33,087,119	32,901,859	185,260
Fire Department	19,468,186	19,996,756	19,857,782	138,974
Fire Hazmat Response Team		82,530	95,286	(12,756)
Building Safety	4,001,519	4,046,948	3,810,562	236,386
Animal Control	397,417	401,529	370,962	30,567
Drug Enforcement Administration		409,782	12,607	397,175
Flood Control	702,973	703,043	566,747	136,296
Emergency Mgmt/Safety Council	389,936	484,296	441,877	42,419
Total Public Safety	<u>56,256,317</u>	<u>59,212,003</u>	<u>58,057,682</u>	<u>1,154,321</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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (continued)				
Current:				
Public Works:				
Engineering	3,274,448	3,291,320	2,953,729	337,591
PWTOC Building/Site Operations	50,390	65,640	86,204	(20,564)
Traffic Engineer	1,617,760	1,647,343	1,392,533	254,810
Infrastructure Maintenance	9,769,668	9,934,350	9,365,078	569,272
City Lighting	1,055,707	1,055,707	1,030,538	25,169
Total Public Works	<u>15,767,973</u>	<u>15,994,360</u>	<u>14,828,082</u>	<u>1,166,278</u>
Culture:				
Art Center/Theatre/Senior Center	847,987	850,586	850,208	378
Music Department	1,102,318	1,486,444	1,101,223	385,221
Total Culture	<u>1,950,305</u>	<u>2,337,030</u>	<u>1,951,431</u>	<u>385,599</u>
Economic Development/Tourism	<u>4,169,000</u>	<u>4,425,144</u>	<u>4,424,131</u>	<u>1,013</u>
Unallocated:				
Community Reinvestment and Unallocated	<u>2,791,247</u>	<u>1,568,840</u>	<u>695,584</u>	<u>873,256</u>
Total Unallocated	<u>2,791,247</u>	<u>1,568,840</u>	<u>695,584</u>	<u>873,256</u>
Total Expenditures	<u>96,471,394</u>	<u>99,400,901</u>	<u>94,250,741</u>	<u>5,150,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,386,882)</u>	<u>1,979,021</u>	<u>7,264,676</u>	<u>5,285,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,583,831	13,583,831	13,596,941	13,110
Transfers out	(484,600)	(18,993,300)	(18,733,565)	259,735
Total other financing sources (uses)	<u>13,099,231</u>	<u>(5,409,469)</u>	<u>(5,136,624)</u>	<u>272,845</u>
Net change in fund balances	(1,287,651)	(3,430,448)	2,128,052	5,558,500
Fund Balance - beginning	<u>42,918,818</u>	<u>42,918,818</u>	<u>42,918,818</u>	<u>_____</u>
Fund Balance - ending	<u>\$41,631,167</u>	<u>\$39,488,370</u>	<u>\$45,046,870</u>	<u>\$ 5,558,500</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
December 31, 2021

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 255,641	\$ 30,752,172	\$ 3,823,685
Investments	11,164,452	73,020,702	9,079,298
Accrued interest receivable	39,924		
Accounts receivable	543,512	20,228,194	793,618
Accrued utility revenues		3,842,183	149,890
Taxes receivable delinquent			
Inventory, material, supplies and fuel		6,750,094	219,989
Due from other funds			
Advances to other funds	3,385,000		
Due from other governmental units	51,011		
Prepaid items	231		
Restricted and reserved cash		1,141,160	
Other assets		1,922,332	111,051
Total Current Assets	<u>15,439,771</u>	<u>137,656,837</u>	<u>14,177,531</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	13,024,724	27,859,833	8,953,333
Depreciable	71,264,684	508,194,366	155,388,738
Less: Accumulated depreciation	<u>(29,054,945)</u>	<u>(259,531,223)</u>	<u>(59,425,674)</u>
Net capital assets	55,234,463	276,522,976	104,916,397
Restricted and reserved cash	114,548		
Restricted investments		12,072,991	
Other assets		11,824,193	
Total Noncurrent Assets	<u>55,349,011</u>	<u>300,420,160</u>	<u>104,916,397</u>
Total Assets	<u>70,788,782</u>	<u>438,076,997</u>	<u>119,093,928</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		1,853,319	
Deferred outflows from OPEB activity			
Deferred outflows from pension activity	128,354	7,201,942	947,896
Total Deferred Outflows of Resources	<u>128,354</u>	<u>9,055,261</u>	<u>947,896</u>
LIABILITIES			
Current Liabilities:			
Accounts and contracts payable	187,648	11,186,781	530,230
Deposits payable		2,056,147	99,827
Accrued interest payable		550,743	
Accrued compensation and payroll taxes	18,053	813,550	103,375
Accrued compensated absences	37,732	2,160,607	313,678
Due to other funds	522	3,915,083	1,619,385
Due to other governmental units	26,954		
Unearned revenue			
Accrued claims			
Current maturities of long term debt		7,085,000	
Total Current Liabilities	<u>270,909</u>	<u>27,767,911</u>	<u>2,666,495</u>
Noncurrent Liabilities:			
Bonds payable, net of unamortized premium		167,512,232	
Accrued compensated absences	13,255	1,559,383	190,032
Net pension liability	178,325	10,106,060	1,335,994
Unearned revenue		1,713,357	
Accrued claims		6,000	
Total post employment benefit obligation			
Total Noncurrent Liabilities	<u>191,580</u>	<u>180,897,032</u>	<u>1,526,026</u>
Total Liabilities	<u>462,489</u>	<u>208,664,943</u>	<u>4,192,521</u>
DEFERRED INFLOWS OF RESOURCES			
Advance payments on leases		431,155	
Deferred charge on refunding			
Solar choice deferred inflows of resources		370,067	
Deferred inflows from OPEB activity			
Deferred inflows from pension activity	161,685	9,271,941	1,226,075
Total Deferred Inflows of Resources	<u>161,685</u>	<u>10,073,163</u>	<u>1,226,075</u>
NET POSITION			
Net investment in capital assets	55,234,463	115,852,054	104,916,397
Restricted:			
Debt service		590,417	
Unrestricted	15,058,499	111,951,681	9,706,831
Total Net Position	<u>\$ 70,292,962</u>	<u>\$ 228,394,152</u>	<u>\$ 114,623,228</u>

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

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

Net position of business-type activities

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 176,676	\$ 568,786	\$ 35,576,960	\$ 935,832
34,477,600	25,095,800	152,837,852	41,780,600
120,093	88,872	248,889	147,794
296,635	160,530	22,022,489	3,214
		3,992,073	
			8,399
4,322		6,974,405	
2,724,230	741,796	3,466,026	18,750
		3,385,000	5,014,298
88,475	48,111	187,597	2,977
	231	462	
		1,141,160	
		2,033,383	
<u>37,888,031</u>	<u>26,704,126</u>	<u>231,866,296</u>	<u>47,911,864</u>
17,724,553	8,344,846	75,907,289	933,014
346,741,679	96,607,462	1,178,196,929	47,813,884
(188,595,665)	(21,267,160)	(557,874,667)	(33,351,581)
175,870,567	83,685,148	696,229,551	15,395,317
25,002,590		25,117,138	
		12,072,991	
10,280		11,834,473	
<u>200,883,437</u>	<u>83,685,148</u>	<u>745,254,153</u>	<u>15,395,317</u>
<u>238,771,468</u>	<u>110,389,274</u>	<u>977,120,449</u>	<u>63,307,181</u>
		1,853,319	
			3,716,882
1,330,327	195,149	9,803,668	
<u>1,330,327</u>	<u>195,149</u>	<u>11,656,987</u>	<u>3,716,882</u>
299,909	111,818	12,316,386	365,544
5,375		2,161,349	1,193
1,021,375		1,572,118	26,363
206,229	28,619	1,169,826	
321,930	53,808	2,887,755	
211,941	60,210	5,807,141	
2,667	603	30,224	15,226
			183,697
			2,449,996
7,900,000		14,985,000	250,000
<u>9,969,426</u>	<u>255,058</u>	<u>40,929,799</u>	<u>3,292,019</u>
64,336,652		231,848,884	1,695,000
283,935	27,208	2,073,813	
1,858,800	272,114	13,751,293	
		1,713,357	
		6,000	930,104
			16,687,258
<u>66,479,387</u>	<u>299,322</u>	<u>249,393,347</u>	<u>19,312,362</u>
<u>76,448,813</u>	<u>554,380</u>	<u>290,323,146</u>	<u>22,604,381</u>
		431,155	
1,060,365		1,060,365	
		370,067	
			212,341
1,695,898	244,223	12,599,822	
<u>2,756,263</u>	<u>244,223</u>	<u>14,461,409</u>	<u>212,341</u>
127,576,140	83,685,148	487,264,202	13,450,317
		590,417	
33,320,579	26,100,672	196,138,262	30,757,024
<u>\$ 160,896,719</u>	<u>\$ 109,785,820</u>	<u>683,992,881</u>	<u>\$ 44,207,341</u>
		751,165	
		<u>\$ 684,744,046</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2021

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 6,231,066	\$	\$ 11,063,896
Sales and charges for services, pledged as security for revenue bonds		153,340,368	
Miscellaneous		21,913,501	1,542,994
Total Operating Revenues	<u>6,231,066</u>	<u>175,253,869</u>	<u>12,606,890</u>
Operating Expenses:			
Purchased power		87,765,526	
Maintenance and operations	3,462,577	39,582,938	8,231,176
Amortization of regulatory assets		445,457	
Depreciation	1,532,479	14,298,858	2,784,872
Total Operating Expenses	<u>4,995,056</u>	<u>142,092,779</u>	<u>11,016,048</u>
Operating Income (Loss)	<u>1,236,010</u>	<u>33,161,090</u>	<u>1,590,842</u>
Nonoperating Revenues (Expenses):			
General property taxes			
Intergovernmental revenues			
Interest earnings	688,119	1,242,172	202,569
Net decrease in the fair value of investments	(243,500)	(1,630,400)	(6,500)
Interest and fiscal charges		(5,549,633)	(253)
Amortization of regulatory assets		(105,961)	
Gain on disposal of property	617,411		
Other income (expense)	559	(658,950)	(126,436)
Total Nonoperating Revenues (Expenses)	<u>1,062,589</u>	<u>(6,702,772)</u>	<u>69,380</u>
Income (Loss) Before Transfers and Capital Contributions	2,298,599	26,458,318	1,660,222
Capital contributions	66,070	4,932,703	3,699,623
Transfers in			
Transfers out	(3,699,591)	(8,469,289)	(407,125)
Change in net position	(1,334,922)	22,921,732	4,952,720
Net Position - Beginning of Year	<u>71,627,884</u>	<u>205,472,420</u>	<u>109,670,508</u>
Net Position - End of Year	<u>\$ 70,292,962</u>	<u>\$ 228,394,152</u>	<u>\$ 114,623,228</u>

Amounts reported by business-type activities in the statement of activities (pages 20-21) are different because:

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

Change in net position of business-type activities

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$	\$ 8,883,453	\$ 26,178,415	\$ 31,430,125
31,573,486		184,913,854	
190,651	815,855	24,463,001	
<u>31,764,137</u>	<u>9,699,308</u>	<u>235,555,270</u>	<u>31,430,125</u>
		87,765,526	
9,177,596	3,745,493	64,199,780	30,138,134
		445,457	
5,846,439	1,817,465	26,280,113	3,444,867
<u>15,024,035</u>	<u>5,562,958</u>	<u>178,690,876</u>	<u>33,583,001</u>
<u>16,740,102</u>	<u>4,136,350</u>	<u>56,864,394</u>	<u>(2,152,876)</u>
			325,985
	12,000	12,000	
709,212	347,419	3,189,491	629,487
(759,400)	(436,700)	(3,076,500)	(782,499)
(1,287,240)		(6,837,126)	(63,935)
		(105,961)	
57,304		674,715	187,693
95,172	398	(689,257)	
<u>(1,184,952)</u>	<u>(76,883)</u>	<u>(6,832,638)</u>	<u>296,731</u>
15,555,150	4,059,467	50,031,756	(1,856,145)
7,683,622	6,298,171	22,680,189	16,847
	250,000	250,000	1,204,196
<u>(5,519,628)</u>	<u>(710,786)</u>	<u>(18,806,419)</u>	<u>(154,134)</u>
17,719,144	9,896,852	54,155,526	(789,236)
<u>143,177,575</u>	<u>99,888,968</u>		<u>44,996,577</u>
<u>\$ 160,896,719</u>	<u>\$ 109,785,820</u>		<u>\$ 44,207,341</u>
		(671,830)	
		<u>\$ 53,483,696</u>	

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Cash Flows From Operating Activities:			
Cash received from customers	\$ 4,520,863	\$ 168,109,126	\$ 12,203,535
Cash received from other City funds	47,102	6,245,425	221,179
Cash received from employees			
Cash paid to employees	(411,714)	(19,900,898)	(2,701,451)
Cash paid to suppliers	(2,996,996)	(107,243,744)	(5,546,964)
Service territory acquisition		(117,549)	
Other income	559		
Net Cash Provided By			
Operating Activities	<u>1,159,814</u>	<u>47,092,360</u>	<u>4,176,299</u>
Cash Flows From Noncapital Financing Activities:			
General property taxes			
Intergovernmental revenues			
Transfers in			
Transfers out	(3,699,591)	(8,459,047)	(406,823)
Net Cash Provided By (Used In)			
Noncapital Financing Activities	<u>(3,699,591)</u>	<u>(8,459,047)</u>	<u>(406,823)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from the sale of property	1,400,000		
Principal payments on bonds		(6,515,000)	
Interest and fiscal charges		(6,763,436)	
Capital contributions received		4,686,703	539,599
Acquisition of capital assets	(969,527)	(15,920,644)	(3,577,340)
Bond issue costs		(602,336)	
Payments made to escrow for bond refunding		(686,544)	
Net Cash Used In Capital and Related			
Financing Activities	<u>430,473</u>	<u>(25,801,257)</u>	<u>(3,037,741)</u>
Cash Flows From Investing Activities:			
Investment income (loss)	704,611	(388,228)	195,816
Net increase (decrease) in investments	1,403,100	1,799,352	713,892
Net Cash Provided By (Used In) Investing Activities	<u>2,107,711</u>	<u>1,411,124</u>	<u>909,708</u>
Net Increase (Decrease) in Cash and			
Cash Equivalents	(1,593)	14,243,180	1,641,443
Cash and Cash Equivalents, Beginning of Year	<u>371,782</u>	<u>17,650,152</u>	<u>2,182,242</u>
Cash and Cash Equivalents, End of Year	<u>\$ 370,189</u>	<u>\$ 31,893,332</u>	<u>\$ 3,823,685</u>
Classified As:			
Cash and Cash Equivalents	\$ 255,641	\$ 30,752,172	\$ 3,823,685
Restricted and Reserved Cash	114,548	1,141,160	
Total Cash and Cash Equivalents, End of Year	<u>\$ 370,189</u>	<u>\$ 31,893,332</u>	<u>\$ 3,823,685</u>

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 31,384,781	\$ 9,290,908	\$ 225,509,213	\$
106,441	327,393	6,947,540	29,554,510
(4,082,034)	(564,250)	(27,660,347)	2,311,942
(5,288,966)	(3,240,959)	(124,317,629)	(28,299,811)
95,172	398	(117,549)	
		96,129	
<u>22,215,394</u>	<u>5,813,490</u>	<u>80,457,357</u>	<u>3,566,641</u>
			326,348
	12,000	12,000	
	250,000	250,000	1,204,196
<u>(5,519,628)</u>	<u>(710,786)</u>	<u>(18,795,875)</u>	<u>(154,134)</u>
<u>(5,519,628)</u>	<u>(448,786)</u>	<u>(18,533,875)</u>	<u>1,376,410</u>
69,233		1,469,233	256,518
(7,570,000)		(14,085,000)	(245,000)
(3,390,029)		(10,153,465)	(67,256)
		5,226,302	
(11,889,193)	(745,125)	(33,101,829)	(2,025,293)
		(602,336)	
		(686,544)	
<u>(22,779,989)</u>	<u>(745,125)</u>	<u>(51,933,639)</u>	<u>(2,081,031)</u>
760,515	348,975	1,621,689	650,891
4,685,900	(4,817,900)	3,784,344	(3,927,799)
<u>5,446,415</u>	<u>(4,468,925)</u>	<u>5,406,033</u>	<u>(3,276,908)</u>
(637,808)	150,654	15,395,876	(414,888)
<u>25,817,074</u>	<u>418,132</u>	<u>46,439,382</u>	<u>1,350,720</u>
<u>\$ 25,179,266</u>	<u>\$ 568,786</u>	<u>\$ 61,835,258</u>	<u>\$ 935,832</u>
\$ 176,676	\$ 568,786	\$ 35,576,960	\$ 935,832
25,002,590		26,258,298	
<u>\$ 25,179,266</u>	<u>\$ 568,786</u>	<u>\$ 61,835,258</u>	<u>\$ 935,832</u>

CITY OF ROCHESTER, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2021

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

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Income (Loss)	\$ 1,236,010	\$ 33,161,090	\$ 1,590,842
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation and amortization expense	1,532,479	14,744,315	2,784,872
Other income	559		
Service territory payments		(117,549)	
Bad debts		1,476,707	98,676
(Increase) Decrease In:			
Accounts receivables and accrued utility revenues	(427,090)	(2,926,476)	(89,961)
Inventory		(569,151)	(19,995)
Due from other funds			
Due from other governmental units	(51,011)		
Advances due from other funds	(1,185,000)		
Prepaid items	(231)		29,614
Deferred outflows from pension activity	(97,987)	(5,725,396)	(750,885)
Deferred outflows from OPEB activity			
Other assets		3,025	
Increase (Decrease) In:			
Accounts and contracts payable, operations	108,703	2,559,025	(15,841)
Deposits payable		225,849	(29,056)
Accrued expenses and other liabilities	(11,237)		
Post employment benefit obligations			
Deferred inflows from pension activity	149,506	8,585,715	1,142,228
Net pension liability	(101,577)	(4,179,326)	(471,980)
Unearned revenues		(64,394)	(92,215)
Solar choice deferred inflow		(46,258)	
Deferred lease revenue		(34,816)	
Accrued claims			
Due to other funds			
Due to other governmental units	6,690		
Net Cash Provided By Operating Activities	\$ 1,159,814	\$ 47,092,360	\$ 4,176,299
Non Cash Transactions:			
Decrease in fair value of investments	\$ (243,500)	\$ (1,630,400)	\$ (6,500)
Amortization of bond premiums, discounts, and refunding		(1,395,330)	
Amortization of bond issue costs		105,961	
Receipt of contributed property		246,000	3,160,024
Capital assets in accounts payable at year end			
Bond proceeds used in refunding		37,776,384	

See Notes to the Financial Statements

Sewer Utility Fund	Enterprise Funds		Governmental Activities- Internal Service Funds
	Storm Water Utility Fund	Total	
\$ 16,740,102	\$ 4,136,350	\$ 56,864,394	\$ (2,152,876)
5,846,439	1,817,465	26,725,570	3,444,867
95,172	398	96,129	
		(117,549)	
		1,575,383	
(233,803)	(103,314)	(3,780,644)	(3,214)
(187)		(589,333)	
(172,096)	(8,029)	(180,125)	(18,750)
118,372	30,412	97,773	14,809
		(1,185,000)	443,482
	(231)	29,152	
(1,028,898)	(135,952)	(7,739,118)	
			(733,385)
(1,409)		1,616	
149,551	12,735	2,814,173	(373,889)
		196,793	(137)
77,861	17,320	83,944	
			2,071,420
1,565,781	226,054	11,669,284	(42,469)
(953,949)	(180,132)	(5,886,964)	
		(156,609)	8,219
		(46,258)	
		(34,816)	
			899,021
14,612	(76)	14,536	
(2,154)	490	5,026	9,543
<u>\$ 22,215,394</u>	<u>\$ 5,813,490</u>	<u>\$ 80,457,357</u>	<u>\$ 3,566,641</u>
\$ (759,400)	\$ (436,700)	\$ (3,076,500)	\$ (754,400)
		(1,395,330)	
		105,961	
7,683,622	6,298,171	17,387,817	16,847
			22,726
		37,776,384	

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CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 2021 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, 2021 are available from the DMCC.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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, 2021

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, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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, 2021

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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

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

3. Other assets

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

4. Inventory

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

5. Prepaid Items

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

6. Deferred outflows of resources

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

**CITY OF ROCHESTER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2021**

NOTE 1: Summary of Significant Accounting Policies (continued)

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

7. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets 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.

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.

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

8. Compensated absences benefits

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

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

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

9. Long-term obligations

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

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

10. Deferred inflows of resources

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

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

11. Unearned revenues

Under the terms of a 2015 agreement, the Electric Utility constructed a substation to meet the specifications of a large customer. The customer paid a Contribution in Aid of Construction (CIAC) for redundant facilities for reliability purposes and for substation capacity in excess of current needs. Per the agreement, the customer can earn a refund of a portion of the CIAC related to excess capacity based on their measured load over the term from 2019 through 2027. A portion of the excess capacity payment becomes ineligible for refund in each of those years if the load requirement specified in the agreement is not achieved. During 2021, \$246,000 of the potential refund became ineligible for refund as the load requirement was not met and, as of December 31, 2021, \$1,476,000 of the potential refund remained recorded as an unearned revenue. The amount of unearned revenue will be reduced each year through the remainder of the ten-year term, having either been refunded to the customer if load requirement has been met, or recorded as a contribution in aid of construction if not met. The substation went in service in May 2017.

As of December 31, 2021, customers had paid the Electric Utility \$237,357 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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Fund equity

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

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

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

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

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

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

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

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

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (continued)

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

12. Fund equity (continued)

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

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

E. Pensions

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

F. Accounting Pronouncements Issued But Not Yet Implemented

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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, 2021 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, 2021

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, 2021**

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, 2021, including weighted average maturities and investment ratings by type of investment.

<u>Investment Type</u>	<u>December 31, 2021 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	\$ 22,844,977	3.55	AAA/AA+/AA	Aaa/Aa1/Aa2
4M Money Market Fund	25,326,025	N/A	N/A	N/A
US Government and Agency Securities:				
Federal Farm Credit Bank	47,009,803	2.90	N/A	N/A
Federal Home Loan Bank	70,517,560	3.19	N/A	N/A
Federal Home Loan Mortgage Corporation	44,772,599	3.53	N/A	N/A
Federal National Mortgage Association	77,391,220	3.42	N/A	N/A
Treasury Note	<u>158,361,944</u>	2.84	N/A	N/A
Sub-total Investments	446,224,128			
Cash and Deposits	<u>81,356,298</u>			
Total	<u>\$ 527,580,426</u>			

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement No. 79. The City's investment in the 4M Fund is measured at an amortized cost method that approximates fair value. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to penalty equal to seven days interest on the amount withdrawn.

Credit Risk

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

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
4M Money Market Fund	Money Market Funds	\$ 25,326,025
Federal Farm Credit Bank	Federal Agency Securities	47,009,803
Federal Home Loan Bank	Federal Agency Securities	70,517,560
Federal Home Loan Mortgage Corporation	Federal Agency Securities	44,772,599
Federal National Mortgage Association	Federal Agency Securities	77,391,220
Treasury Note	United States Treasury Securities	158,361,944

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021 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	\$ 42,668,277
Investments	446,104,680
Restricted cash and investments	<u>38,807,469</u>
Total Cash and Investments	<u>\$ 527,580,426</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, 2021**

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, 2021 were as follows:

	At December 31, 2021			Total
	Fair Value Hierarchy Level			
	Level 1	Level 2	Level 3	
Municipal Bonds	\$	\$ 22,844,977	\$	\$ 22,844,977
US Government and Agency Securities:				
Federal Farm Credit Bank		47,009,803		47,009,803
Federal Home Loan Bank		70,517,560		70,517,560
Federal Home Loan Mortgage Corporation		44,772,599		44,772,599
Federal National Mortgage Association		77,391,220		77,391,220
Treasury Note		158,361,944		158,361,944
Investments measured at amortized cost				25,326,025
Total	\$	\$ 420,898,103	\$	\$ 446,224,128

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, 2021.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 8,751,620	\$ 939,062	\$ 881,903	\$ 35,756	\$ 10,608,341
Special Revenue	155,279	71,705	265,662	20,000	512,646
Capital Project	6,199,899	8,382,426	162,568	87,248	14,832,141
Debt Service			26,617		26,617
Enterprise	24,601	27,003	5,364	130,629	187,597
Internal Service			2,977		2,977
Totals	<u>\$ 15,131,399</u>	<u>\$ 9,420,196</u>	<u>\$ 1,345,091</u>	<u>\$ 273,633</u>	<u>\$ 26,170,319</u>

Amounts due to other governmental units as of December 31, 2021 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 39,140	\$ 193,797	\$ 3,350	\$ 236,287
Special Revenue	3,444	5,362,331	355,475	3,295	5,724,545
Capital Project		6,160	414		6,574
Enterprise		23,090	7,134		30,224
Internal Service		12,576	2,650		15,226
Totals	<u>\$ 3,444</u>	<u>\$ 5,443,297</u>	<u>\$ 559,470</u>	<u>\$ 6,645</u>	<u>\$ 6,012,856</u>

**CITY OF ROCHESTER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2021**

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, 2021 are as follows:

Restricted Cash and Investments -

General Fund

Civic Music Endowment:	
Rochester Area Foundation Endowment	\$ 48,117

Capital Improvement Fund

Construction of DSIC building	428,063
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Enterprise Funds:

Parking Fund:	
Bioscience Building Debt Service	114,548

Electric Fund:	
Debt Service	1,141,160
Debt Service Reserve Accounts	12,072,991

Sewer Fund:	
Debt Service	25,002,590

Total	\$ 38,807,469
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**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021 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	\$ 75,975,062	\$ 1,197,935	\$ 25,000	\$ 77,147,997
Construction in progress	50,831,468	42,209,401	26,108,943	66,931,926
Total capital assets, not being depreciated	<u>126,806,530</u>	<u>43,407,336</u>	<u>26,133,943</u>	<u>144,079,923</u>
Capital assets, being depreciated:				
Buildings	393,835,705	5,746,338		399,582,043
Improvements other than buildings	55,903,539	6,453,680		62,357,219
Infrastructure	551,038,749	11,097,799		562,136,548
Machinery and equipment	113,704,460	4,015,010	1,529,834	116,189,636
Total capital assets, being depreciated	<u>1,114,482,453</u>	<u>27,312,827</u>	<u>1,529,834</u>	<u>1,140,265,446</u>
Less accumulated depreciation for:				
Buildings	117,324,634	9,777,891		127,102,525
Improvements other than buildings	30,834,668	1,746,047		32,580,715
Infrastructure	208,882,237	12,686,372		221,568,609
Machinery and equipment	78,056,633	6,734,632	1,419,236	83,372,029
Total accumulated depreciation	<u>435,098,172</u>	<u>30,944,942</u>	<u>1,419,236</u>	<u>464,623,878</u>
Total capital assets, being depreciated, net	<u>679,384,281</u>	<u>(3,632,115)</u>	<u>110,598</u>	<u>675,641,568</u>
Governmental activities capital assets, net	<u>\$ 806,190,811</u>	<u>\$ 39,775,221</u>	<u>\$ 26,244,541</u>	<u>\$ 819,721,491</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2021 was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 22,486,382	\$ 1,721,140	\$	\$ 24,207,522
Construction in progress	32,567,839	29,785,227	10,653,299	51,699,767
Total capital assets, not being depreciated	<u>55,054,221</u>	<u>31,506,367</u>	<u>10,653,299</u>	<u>75,907,289</u>
Capital assets, being depreciated:				
Buildings and improvements	538,345,477	18,139,646	1,473,975	555,011,148
Machinery and equipment	613,363,277	12,681,689	2,859,185	623,185,781
Total capital assets, being depreciated	<u>1,151,708,754</u>	<u>30,821,335</u>	<u>4,333,160</u>	<u>1,178,196,929</u>
Less accumulated depreciation for:				
Buildings and improvements	232,733,613	10,392,766	690,596	242,435,783
Machinery and equipment	301,677,933	15,887,347	2,126,396	315,438,884
Total accumulated depreciation	<u>534,411,546</u>	<u>26,280,113</u>	<u>2,816,992</u>	<u>557,874,667</u>
Total capital assets, being depreciated, net	<u>617,297,208</u>	<u>4,541,222</u>	<u>1,516,168</u>	<u>620,322,262</u>
Business-type activities capital assets, net	<u>\$ 672,351,429</u>	<u>\$ 36,047,589</u>	<u>\$ 12,169,467</u>	<u>\$ 696,229,551</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

E. Capital Assets (continued)

Depreciation expense for the year ended December 31, 2021 was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 1,067,163
Public safety	3,020,547
Public works	11,707,983
Airport operations	2,299,518
Transit	1,476,886
Culture	1,154,298
Park and recreation/Mayo Civic Center	5,991,362
Economic development/tourism	782,318
Subtotal	27,500,075
Internal Service Funds:	
Equipment revolving	3,159,366
Information technology	285,501
	3,444,867

Total depreciation expense - governmental activities	\$ 30,944,942
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Business-Type Activities:

Parking	\$ 1,532,479
Electric utility	14,298,858
Water utility	2,784,872
Sewer utility	5,846,439
Storm water utility	1,817,465
	26,280,113

Total depreciation expense - business type activities	\$ 26,280,113
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**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,246,189	\$ 261,681
Capital Improvement	1,643,416	225,052
Subtotal	2,889,605	486,733
Non-Major Governmental Funds:		
Special Revenue -		
Library		6,923
Municipal Recreation System		67,354
Edward Byrne Memorial JAG		14,562
Airport Operations		34,482
Transit		354
Community Development Projects		103,420
DMCC	222,588	76,000
Subtotal	222,588	303,095
Total Governmental Funds	3,112,193	789,828
Proprietary Funds:		
Enterprise -		
Parking		522
Electric Utility		3,915,083
Water Utility		1,619,385
Sewer Utility	2,724,230	211,941
Storm Water Utility	741,796	60,210
Total Proprietary Funds	3,466,026	5,807,141
Internal Service Fund:		
Information Technology Revolving	18,750	
Total All Funds	\$ 6,596,969	\$ 6,596,969

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advanced To Other Funds</u>	<u>Advanced From Other Funds</u>
Governmental Funds:		
Capital Improvement	\$	\$ 6,499,298
Economic Development Authority Bond		1,900,000
Proprietary Fund:		
Parking	3,385,000	
Internal Service Fund:		
Self-Insurance	<u>5,014,298</u>	
Total All Funds	<u>\$ 8,399,298</u>	<u>\$ 8,399,298</u>

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

Transfers during the year ended December 31, 2021 were as follows:

Funds	Transfers In	Transfers Out
General	\$ 13,596,941	\$ 18,733,565
Capital Improvement	24,621,228	9,342,793
Other Governmental Funds		
Library		23,000
Municipal Recreation System	70,000	682,662
Mayo Civic Center		225,428
Transit		1,863,182
Minnesota Bio Science Center	1,400,000	1,226,204
Community Development Projects		600,000
DMCC	2,053,572	
TIF Revenue Bond	1,456,693	
Economic Development Authority Bond	2,660,504	
Public Works and Transit Operation		
Center Bond	16,409,820	
Lodging Tax Revenue Bond	2,927,438	
GO Variable Rate Sales Tax Bond	2,851,115	
Lease Revenue 2020A Bond		1,434,300
2020C GO Refunding Bond		16,409,820
Subtotal Other Governmental Funds	<u>29,829,142</u>	<u>22,464,596</u>
Subtotal Governmental Funds	68,047,311	50,540,954
Enterprise	250,000	18,806,419
Internal Service	<u>1,204,196</u>	<u>154,134</u>
Totals	<u>\$ 69,501,507</u>	<u>\$ 69,501,507</u>

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

**CITY OF ROCHESTER, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

F. Interfund Balances and Transfers (continued)

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

Governmental Funds:	
Transfer in	\$ 68,047,311
Transfers out	(50,540,954)
Internal Service Funds:	
Transfer in	1,204,196
Transfers out	(154,134)
Capital assets transferred from Govt- activities to Business-type activities	<u>(9,752,188)</u>
Government-wide Statement of Activities - Transfers in/out	<u>\$ 8,804,231</u>

G. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Expenditures under these operating leases for the year ended December 31, 2021 totaled \$538,774.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2021, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/21
General Obligation Bonds:				
GO Taxable Tax Increment Bonds				
District 36, Series 2009A	\$ 8,035,000	5.2-5.5%	2025	\$ 1,425,000
GO Tax Increment Revenue				
Bond Series 2017B	21,265,000	2.0-5.0%	2038	19,205,000
GO Lodging Tax Revenue Bonds:				
Bonds, Series 2015A	42,795,000	2.5-5.0%	2035	35,200,000
GO Revenue Bonds:				
Revenue Crossover Refunding Bonds, Series 2012A	60,840,000	4.0-5.0%	2026	30,525,000
Revenue Crossover Refunding Bonds, Series 2015B	19,805,000	5.0%	2026	11,045,000
Revenue Refunding Bonds, Series 2020B	23,380,000	4.0%	2026	23,380,000
GO Variable Rate Sales Tax Revenue				
Bonds, Series 2015C	40,880,000	Variable	2025	27,660,000
GO Taxable Refunding Bonds, Series 2020C	16,460,000	1.25-5.0%	2036	16,460,000
GO Equipment Certificates of Indebtedness, Series 2018A	2,225,000	3.25%	2028	1,945,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2015E	39,970,000	3.0-5.0%	2030	29,075,000
Bonds, Series 2017A	108,255,000	2.0-5.0%	2047	96,625,000
Refunding Bonds, Series 2021A	37,170,000	1.375-2.3%	2043	36,125,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	5,024,000
Lease Bonds, Series 2008	6,700,000	4.71%	2033	3,404,000
Lease Bonds, Series 2020A	20,300,000	2.0-5.0%	2040	19,535,000
Compensated Absences				17,186,501
Less: Unamortized premium				<u>27,148,642</u>
Total Long-term Debt				<u>\$ 400,968,143</u>

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

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

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

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

General Obligation Revenue Bonds

General Obligation Revenue Bonds are recorded as liabilities in the Sewer Utility Enterprise Fund. The bonds are payable from revenues derived from the operation of the Sewer Utility Enterprise Fund and are backed by the full faith, credit, and taxing power of the City. In 2012, the Sewer Utility issued \$60,840,000 of General Obligation Wastewater Revenue Crossover Refunding Bonds to refinance the 2004A Wastewater Revenue Bonds. In 2015, the Sewer Utility issued \$19,805,000 of General Obligation Wastewater Revenue Refunding Bonds to refinance the 2007A Wastewater Revenue Bonds. In 2020, the Sewer Utility issued \$23,380,000 of General Obligation Revenue Refunding Bonds to refinance the 2012A Revenue Crossover Refunding Bonds.

Revenue Bonds – Electric Utility

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

Lease Revenue Bonds – Economic Development Authority

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

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

General Obligation Lodging Tax Revenue Bonds

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

General Obligation Sales Tax Revenue Bonds

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

General Obligation Equipment Certificates of Indebtedness

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

General Obligation Taxable Build America Bonds

In 2010, the City issued \$26,700,000 of General Obligation Taxable Build America Bonds, Series 2010A. Of the issue, \$26,275,000 was used to construct a combined Public Works/Mass Transit Operations and Maintenance Center and \$425,000 was used to purchase a new fire truck for the City's Equipment Revolving Internal Service Fund. Internal Service Funds predominantly serve the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the totals for governmental activities. General tax levy will provide the resources for the bond repayment. The bonds are backed by the full faith, credit, and taxing power of the City. City interest payable on these bonds is reimbursed to the City through a federal grant. In 2020, the City issued \$16,460,000 of General Obligation Taxable Bonds to refinance the 2010A General Obligation Taxable Build America Bonds. The 2010A General Obligation Taxable Build America Bonds were called in 2021.

Bond Indentures

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2021:

	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	\$ 1,740,000	\$	\$ 315,000	\$ 1,425,000	\$ 330,000
GO Tax Increment Revenue Bond					
Series 2017B	19,980,000		775,000	19,205,000	815,000
GO Lodging Tax Revenue					
Bonds, Series 2015A	36,710,000		1,510,000	35,200,000	1,650,000
GO Taxable Build America Bonds					
Direct Pay, Series 2010A - Public Works	19,325,000		19,325,000		
GO Taxable Refunding Bonds					
Series 2020C	16,460,000			16,460,000	655,000
GO Variable Rate Sales Tax Revenue					
Bonds, Series 2015C	30,305,000		2,645,000	27,660,000	2,720,000
GO Equipment Certificates of Indebtedness,					
Series 2018A	2,190,000		245,000	1,945,000	(1) 250,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007	5,332,000		308,000	5,024,000	320,000
REDA Lease Revenue Bonds, Series 2008	3,612,000		208,000	3,404,000	216,000
REDA Lease Revenue Bonds, Series 2020A	20,300,000		765,000	19,535,000	695,000
Plus: Unamortized Premium on Bonds	7,607,486		517,728	7,089,758	
Other Liabilities:					
Compensated Absences	12,303,214	7,217,405	7,295,686	12,224,933	7,220,000
Governmental Activities Long-term Liabilities	175,864,700	7,217,405	33,909,414	149,172,691	14,871,000
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant					
Revenue Crossover Refunding Series 04A					
Bonds, Series 2012A	36,175,000		5,650,000	30,525,000	5,890,000
Revenue Crossover Refunding					
Bonds, Series 2015B	12,965,000		1,920,000	11,045,000	2,010,000
Revenue Refunding					
Bonds, Series 2020B	23,380,000			23,380,000	
Revenue Bonds:					
Electric Utility Revenue Bonds -					
Series 2013B	33,995,000		33,995,000		
Electric Utility Revenue Refunding Bonds-					
Series 2015E	31,690,000		2,615,000	29,075,000	2,750,000
Electric Utility Revenue Bonds-					
Series 2017A	99,480,000		2,855,000	96,625,000	2,995,000
Electric Utility Revenue Refunding Bonds-					
Series 2021A		37,170,000	1,045,000	36,125,000	1,340,000
Plus: Unamortized Premium	25,918,889	812,766	6,672,771	20,058,884	
Other Liabilities:					
Compensated Absences	4,669,888	1,326,498	1,034,818	4,961,568	2,887,755
Business-type Activities Long-term Liabilities	268,273,777	39,309,264	55,787,589	251,795,452	17,872,755
Total	\$ 444,138,477	\$ 46,526,669	\$ 89,697,003	\$ 400,968,143	\$ 32,743,755

(1) Debt recorded in the internal service funds.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

In 2015, the Sewer Utility issued \$14.2 million in Refunding Revenue Bonds, Series 2015D, to be used for a refunding of the outstanding Series 2007B bonds. The crossover refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,878,134. This difference, reported in the financial statements as a deferred refunding balance, is being amortized and charged to operations over the bond term using the interest method. As of December 31, 2021, the balance totaled \$1,060,365.

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2021, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Revenue		Revenue Bonds	
	Principal	Interest *	Principal	Interest
<u>Governmental Activities</u>				
2022	\$ 6,420,000	\$ 2,840,381	\$ 1,231,000	\$ 1,015,250
2023	6,885,000	2,627,327	1,294,000	953,753
2024	7,240,000	2,397,129	1,357,000	889,188
2025	23,880,000	2,050,018	1,416,000	821,650
2026	4,560,000	1,850,554	1,488,000	750,921
2027-2031	24,865,000	6,354,600	8,588,000	2,614,502
2032-2036	25,230,000	2,146,257	7,494,000	961,379
2037-2040	2,815,000	87,807	5,095,000	218,581
Totals	\$ 101,895,000	\$ 20,354,073	\$ 27,963,000	\$ 8,225,224
	General Obligation Revenue Bonds		Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
<u>Business-Type Activities</u>				
2022	\$ 7,900,000	\$ 2,745,850	\$ 7,085,000	\$ 6,608,918
2023	14,165,000	2,225,750	7,395,000	6,294,868
2024	14,755,000	1,565,825	7,730,000	5,966,068
2025	15,105,000	916,850	8,005,000	5,681,868
2026	13,025,000	333,850	8,305,000	5,386,368
2027-2031			40,725,000	21,727,638
2032-2036			22,630,000	15,783,638
2037-2041			27,380,000	11,024,145
2042-2046			27,200,000	5,079,965
2047			5,370,000	268,497
Totals	\$ 64,950,000	\$ 7,788,125	\$ 161,825,000	\$ 83,821,973

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2021.

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2021, the City had not utilized \$268,859,510 of its net legal debt margin.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

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 \$2,574,473,988 and the balance outstanding at December 31, 2021 totals \$2,361,431,880.

Bond Refunding

In 2020, the City issued \$16,460,000 of General Obligation Taxable Refunding Bonds, Series 2020C. The bond was issued to refund the General Obligation Taxable Build America Bonds, Series 2010A. The refunding resulted in an effective interest rate of 3.014% including issuance costs and a cash flow savings of \$3,061,345. The economic gain is \$2,418,290, or approximately \$161,000 per year for the remaining fifteen years the 2020C Bonds will be outstanding. The General Obligation Taxable Build America Bonds, Series 2010A were called in 2021.

On February 10, 2021, taxable bonds in the amount of \$37,170,000 were issued with an average interest rate of 1.94% to advance refund \$33,995,000 of outstanding bonds with an average interest rate of 4.74%. The cash flow requirements on the old bonds prior to the advance refunding were \$55,960,475 from 2021 through 2043. The cash flow requirements on the new bonds are \$46,632,758. The advance refunding resulted in an economic gain of \$6,641,823. The bonds are callable on December 1, 2023. At December 31, 2021, \$33,995,000 of bonds outstanding are considered defeased.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

H. Long-term Debt (continued)

Revenue Pledged

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

Bond Issue - Revenue Bonds	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
General Obligation Bonds:							
Wastewater Treatment Plant							
Revenue Crossover Refunding Series 04A Bonds, Series 2012A	Refund 2004A issue	Utility Revenue	100%	2012 - 2026	\$ 33,844,225	\$ 7,456,580	\$ 7,456,580
Revenue Crossover Refunding Bonds, Series 2015B	Refund 2007A issue	Utility Revenue	100%	2015 - 2026	12,756,500	2,568,249	2,568,249
Revenue Refunding Bonds, Series 2020B	Refund 2012A issue	Utility Revenue	100%	2020 - 2026	26,137,400	935,200	935,200
Revenue Bonds:							
REDA Lease Revenue Bonds, Series 2007	Bio Science building	Lease Revenue	100%	2007 - 2033	6,569,360	551,367	551,367
REDA Lease Revenue Bonds, Series 2008	Bio Science building	Lease Revenue	100%	2008 - 2033	4,453,482	373,226	373,226
REDA Lease Revenue Bonds, Series 2020A	DSIC building	Lease Revenue	100%	2020 - 2040	25,165,382	1,432,900	1,432,900
Electric Utility Revenue Refunding Bonds-							
Series 2015E	Advance refund a portion of 2007C issue	Utility Revenue	100%	2015 - 2030	34,339,150	3,814,500	3,814,500
Electric Utility Revenue Bonds-							
Series 2017A	Finance Westside Energy Station, and Electric substation and improvements	Utility Revenue	100%	2017 - 2047	166,310,000	7,829,000	7,829,000
Electric Utility Revenue Refunding Bonds-							
Series 2021A	Advance refund 2013B issue	Utility Revenue	100%	2021 - 2043	44,997,823	1,634,936	1,634,936

* Interest on variable rate debt was estimated using the rate in effect at December 31, 2021.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits

A. Plan Description

The City provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2020, the most recent valuation date, there were 896 active participants, 285 retirees receiving benefits, and 15 spouses receiving benefits.

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

B. Total OPEB Liability

The City's total OPEB liability was measured as of January 1, 2021 and was determined by an actuarial valuation as of January 1, 2020. The components of the total OPEB liability of the City at year-end were as follows:

Total OPEB liability	\$ 16,687,258
Covered-employee payroll	\$ 80,021,675
Total OPEB liability as a % of payroll	21%

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

C. Funded Status and Funding Progress

As of January 1, 2021, the most recent measurement date, the actuarial accrued liability for benefits was \$16,687,258 all of which was unfunded. The covered-employee payroll (annual payroll of active employees covered by the plan) was \$80,021,675 and the ratio of the unfunded actuarial accrued liability to the covered-employee payroll was 21 percent. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Methods and Assumptions

In the January 1, 2020 actuarial valuation, the entry age level percentage of pay method was used. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

D. Methods and Assumptions (continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00%
20-year Municipal Bond Yield	2.00%
Inflation rate	2.50%
Mortality	Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
Medical trend rate	6.25% in 2021 grading to 5.00% over 5 years and then to 4.00% over the next 48 years. The medical trend rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.

E. Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance 1/1/2021	\$ 14,615,838
Changes for the year:	
Service cost	1,010,612
Interest cost	445,845
Assumption changes	1,123,571
Benefit payments	<u>(508,608)</u>
Net Changes	<u>2,071,420</u>
Balance End of Year 12/31/2021	<u>\$ 16,687,258</u>

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

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

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

	<u>Total OPEB Liability</u>
1% decrease in Discount Rate (1.0%)	\$ 18,247,573
Current Discount Rate (2.0%)	16,687,258
1% increase in Discount Rate (3.0%)	15,303,340

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	\$ 14,759,244
Current Trend Rates	16,687,258
1% increase in Trend Rates	18,959,634

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

I. Other Post-Employment Benefits (continued)

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

As of the year ended December 31, 2021, 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	\$ 2,162,293	\$ 212,341
Liability losses	884,793	
Contributions paid to OPEB subsequent to the measurement date	669,796	
	\$ 3,716,882	\$ 212,341

Contributions subsequent to the measurement date of \$669,796 will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. 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
2022	\$ 441,973
2023	441,973
2024	441,973
2025	441,973
2026	441,977
Thereafter	624,876

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

J. Governmental Fund Balance Classifications

The City's governmental fund balances as of December 31, 2021 were classified as follows:

	General Fund	Capital Improvement	Nonmajor Governmental Funds	Total
<u>Nonspendable:</u>				
Prepaid Items	\$ 171,122	\$ 126	\$ 217,685	\$ 388,933
Inventory	1,185,659		29,028	1,214,687
Total Nonspendable	<u>1,356,781</u>	<u>126</u>	<u>246,713</u>	<u>1,603,620</u>
<u>Restricted for:</u>				
Civic Music Endowment	48,117			48,117
Flood Control		13,193,501		13,193,501
Economic Development Loans		259,910		259,910
Park and Recreation		110,946		110,946
Tax Increment Financing		6,643,734		6,643,734
Sales Tax Authorized Projects		44,012,267		44,012,267
Destination Medical Center		36,234,169		36,234,169
Airport Operations			9,298,610	9,298,610
Children's Playgrounds			702,235	702,235
Debt Service			2,935,500	2,935,500
Total Restricted	<u>48,117</u>	<u>100,454,527</u>	<u>12,936,345</u>	<u>113,438,989</u>
<u>Committed to:</u>				
Capital Improvement		101,744,697		101,744,697
Total Committed		<u>101,744,697</u>		<u>101,744,697</u>
<u>Assigned to:</u>				
Subsequent Years Budgets	414,386			414,386
Encumbrances	1,509,772			1,509,772
Library Operations			3,346,812	3,346,812
Parks and Recreation			1,779,168	1,779,168
Mayo Civic Center			1,080,184	1,080,184
Transit			2,863,854	2,863,854
Minnesota Bio Science Center			2,477,674	2,477,674
Total Assigned	<u>1,924,158</u>		<u>11,547,692</u>	<u>13,471,850</u>
<u>Unassigned</u>	<u>41,717,814</u>		<u>(1,974,551)</u>	<u>39,743,263</u>
Total Fund Balances	<u>\$ 45,046,870</u>	<u>\$ 202,199,350</u>	<u>\$ 22,756,199</u>	<u>\$ 270,002,419</u>

Encumbrances are valid and executed contracts for equipment purchases as of December 31, 2021 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, 2021**

NOTE 3: Detailed Notes on All Funds (continued)

K. Restricted Net Position

Governmental Activities	Restricted Net Position Imposed By			
	Grantors	Donors	Debt Service	Legally Enforceable
<u>Major Governmental Funds:</u>				
General Fund:				
Civic Music Endowment	\$	\$ 48,117	\$	\$
Capital Improvement Fund:				
Flood Control				13,193,501
Economic Development Loans	259,910			
Park and Recreation		110,946		
Tax Increment Financing				6,643,734
Sales Tax Authorized Projects				44,012,267
<u>Nonmajor Governmental Funds:</u>				
Special Revenue Funds:				
Children's Playgrounds	702,235			
CDBG Loans	3,887,529			
Airport Operations				9,298,610
Debt Service Funds:				
Debt Service			2,935,500	
Total Governmental Restricted Net Position	4,849,674	159,063	2,935,500	73,148,112
Business-Type Activities				
Debt Service			590,417	
Total Business-Type Restricted Net Position			590,417	
Total Government Wide Restricted Net Position	\$ 4,849,674	\$ 159,063	\$ 3,525,917	\$ 73,148,112

L. Deficit Fund Balance

Special Revenue Fund:
 Economic Development Authority Bond \$ 1,806,507

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

M. Excess Expenditures over Appropriations

At December 31, 2021, excess of expenditures over appropriations, all the result of a planned process, were as follows:

Special Revenue Funds	Expenditures	Appropriation	Excess
Mayo Civic Center	\$ 206,698	\$ 16,773	\$ 189,925

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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 \$325,000 per claim with a variable annual aggregate, and the workers' compensation is limited to \$500,000 per occurrence, both through the use of stop-loss policies. The City's general and auto liability policies retain a \$100,000 occurrence per \$300,000 annual aggregate deductible exposure with a \$1,500,000 statutory limit of coverage. The City recognizes a liability on individual claims when a claim is probable, and the amount can be reasonably estimated. In addition, the City recognizes an estimated liability on claims that have been incurred but have not been reported.

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$3,380,100 reported in the Fund at December 31, 2021 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are based on the estimated ultimate cost of settling claims, including specific and incremental expenses, salvage, and subrogation. The claim liability does not include other allocated or unallocated claim adjustment expenses.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

A. Risk Management (continued)

Changes in the Fund's claims liability amount during the years ended December 31, 2021 and 2020 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2021	\$ 2,481,079	\$ 23,141,162	\$ (22,242,141)	\$ 3,380,100
2020	2,468,543	20,585,044	(20,572,508)	2,481,079

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.

Service Territory Settlements

Under settlement agreements with People's Energy Cooperative (PEC), the Electric Utility is required to make payments to PEC related to the acquisitions of certain electric service rights from PEC. The payment is based on kilowatt hours (kWh) sold in acquired areas and varies by each settlement agreement. The kWh compensation rate ranges from 14.91 mills (tenths of a cent) per kWh to 26.62 mills per kWh. These commitments expire over various periods with a maximum term of ten years for each acquisition. Costs are recognized under these agreements as service is provided and are recorded as a regulatory asset for utility rate-making purposes under the provisions of GASB Statement No. 62 and amortized over forty years.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

B. Commitments (continued)

Southern Minnesota Municipal Power Agency

The Electric Utility is a voting member of the Southern Minnesota Municipal Power Agency (SMMPA). The Utility has entered into a power purchase contract with SMMPA, whereby SMMPA will provide all Utility power requirements up to 216 megawatts, the contract rate of delivery. This contract expires in the year 2030. In 1999, the Utility and SMMPA agreed to a contract rate of delivery (CROD) that began in 2000. The CROD caps the amount of power SMMPA must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The Utility purchased 1,168,294,437 kilowatt hours totaling \$86,446,080 from SMMPA during the year ended December 31, 2021.

In October of 2021, RPU recorded as operating revenue a \$5,097,780 distribution of general operating reserves from Southern Minnesota Municipal Power Agency. A partial payment was received in February 2022, and the remainder is expected to be received in July 2022.

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

Central Minnesota Municipal Power Agency

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

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

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

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, 2021, the City's commitments with contractors and vendors were as follows:

	<u>Remaining Commitment</u>
General Fund	
Equipment Purchase Commitments*	<u>\$ 1,509,772</u>
Capital Improvement Fund	
Major Street Projects	7,444,623
Sidewalk Projects	1,093,756
Bridge Projects	4,329,827
Storm Water / Storm Sewer Projects	114,402
Flood Control	312,027
Water Reclamation Projects	795,561
Parking Ramp Rehabilitation	358,775
Airport Projects	9,569,058
Mass Transit Garage Expansion	3,644
DSIC and North Station	40,267
Golf Courses	23,779
Parks Projects - Various	94,374
Mayo Civic Center General Improvements	44,716
Destination Medical Center	14,172,595
Equipment Purchase Commitments	337,422
Total Capital Improvement Fund	<u>38,734,826</u>
Enterprise Funds	
Electric Projects	5,410,616
Water Projects	594,236
Total Enterprise Funds	<u>6,004,852</u>
Totals	<u><u>\$ 46,249,450</u></u>

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

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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, 2021, 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 and Empower Retirement and does not meet the requirements of GASB Statement Nos. 84 and 97 for inclusion as a fiduciary activity of the City.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

1. General Employees Plan Benefits (continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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 reduced prorated increase.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2021, were \$4,232,250. 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 2021 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, 2021 were, \$4,219,288. 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, 2021, the City reported a liability of \$33,471,771 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,022,240.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.7838 percent at the end of the measurement period and 0.7818 percent for the beginning of the period.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

City's proportionate share of the net pension liability	\$33,471,771
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,022,240</u>
Total	<u>\$34,494,011</u>

For the year ended December 31, 2021, the City recognized pension expense of \$3,925,148 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$82,478 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 196,064	\$ 1,024,027
Changes in actuarial assumptions	20,437,165	728,163
Net collective difference between projected and actual investment earnings		28,960,668
Changes in proportion	1,046,419	
Contributions paid to PERA subsequent to the measurement date	<u>2,168,954</u>	
Total	<u>\$ 23,848,602</u>	<u>\$ 30,712,858</u>

The \$2,168,954 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (891,864)
2023	(1,160)
2024	(233,646)
2025	(7,906,540)

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$15,569,102 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 2.0170 percent at the end of the measurement period and 2.1182 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$6,081,032 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$127,466 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$699,917 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Costs (continued)

2. Police and Fire Fund Pension Costs (continued)

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,045,219	\$
Changes in actuarial assumptions	22,882,500	9,335,771
Net collective difference between projected and actual investment earnings		29,616,840
Changes in proportion	824,879	2,080,902
Contributions paid to PERA subsequent to the measurement date	2,237,908	
Total	\$ 28,990,506	\$ 41,033,513

The \$2,237,908 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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
2022	\$(11,166,217)
2023	(2,297,243)
2024	(2,142,702)
2025	(3,461,853)
2026	4,787,100

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2021 was \$10,216,124.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

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 in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This 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 deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

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 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods and Assumptions (continued)

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 most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with eh July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Actuarial Methods Assumptions (continued)

Changes in Actuarial Assumptions (continued)

- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decrease for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021**

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

Pension Liability Sensitivity

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

Sensitivity Analysis						
<i>Net Pension Liability (Asset) at Different Discount Rates</i>						
	General Employees Fund			Police and Fire Fund		
1% Lower	5.50%	\$	68,265,327	5.50%	\$	49,429,268
Current Discount Rate	6.50%	\$	33,471,771	6.50%	\$	15,569,102
1% Higher	7.50%	\$	4,921,535	7.50%	\$	(12,187,844)

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.

CITY OF ROCHESTER, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021

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, 2021, 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, 2021, the City had thirty said Districts in which \$4,221,350 of tax revenue was paid out to developers under these agreements.

NOTE 7: Subsequent Events

In 2022 the City entered into a lease purchase agreement for LED lighting at McQuillan Park and Hudson Fields for \$1,447,686 at an interest rate of 4.4%.

In March 2022, the City reached a settlement agreement for the Rochester Public Parking Ramp Project #6 related to architectural and engineering services. The City will be receiving \$2,025,000 as total payment for this settlement.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 16, 2022, the date the financial statements were available to be issued.

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CITY OF ROCHESTER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

CITY OF ROCHESTER, MINNESOTA
Schedules of City Pension Contributions
December 31, 2021

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%

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%

* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

CITY OF ROCHESTER, MINNESOTA
Schedules of City and Non-Employer Proportionate Share of Net Pension Liability
December 31, 2021

PERA General Employees Retirement Fund
Last Ten Years*

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) with the City (b)	City's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability 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%

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

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) with the City (b)	City's Proportionate Share of the Net Pension Liability Associated With the City (a+b)	Covered Payroll (b)	City's Proportionate Share (Amount) of the Net Pension Liability 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	11,698,636	139.07%	93.66%

* This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

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

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 1,010,612	\$ 857,266	\$ 726,221	\$ 762,822
Interest cost	445,845	443,785	371,228	347,995
Assumption changes	1,123,571	1,572,227	(339,748)	
Differences between expected and actual experience		1,179,725		
Benefit payments	(508,608)	(512,148)	(408,344)	(332,645)
Net change in total OPEB liability	2,071,420	3,540,855	349,357	778,172
Total OPEB Liability - beginning of year	14,615,838	11,074,983	10,725,626	9,947,454
Total OPEB Liability - end of year	<u>\$ 16,687,258</u>	<u>\$ 14,615,838</u>	<u>\$ 11,074,983</u>	<u>\$ 10,725,626</u>
Covered-Employee Payroll	\$ 80,021,675	\$ 77,502,833	\$ 72,914,859	\$ 70,791,125
Total OPEB Liability as a % of payroll	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 complied, 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, 2021

CITY OF ROCHESTER, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2021

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.

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, 2021

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.

Public Works and Transit Operation Center Bond Fund:

This fund is used to account for the accumulation of resources for payment of the taxable general obligation Series 2010A Build America Bonds refunded by the 2020C general obligation taxable refunding bonds.

Lodging Tax Revenue Bond Fund:

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

GO Variable Rate Sales Tax Bond Fund:

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

Lease Revenue 2020A Bond Fund:

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

2020C GO Refunding Bond Fund:

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

CITY OF ROCHESTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2021

	Special Revenue							
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	
ASSETS								
Cash and cash equivalents	\$ 112,055	\$ 14,224	\$ 32,348	\$	\$ 177,310	\$ 15,555	\$ 189,698	\$ 46,409
Investments	3,499,100	2,125,200	868,400		7,824,400	684,300	8,371,200	2,095,000
Accrued interest receivable	12,368	9,638	3,120		27,710	2,380	29,611	7,385
Accounts receivable (net of allowance for uncollectibles)		470,498	132,470	14,562	1,612,157		105,134	329,228
Loans receivable								
Taxes receivable delinquent	174,235	186,672			18,030		7,251	
Special assessments receivable delinquent		83,887						
Due from other funds								
Due from other governmental units	66,264	209,228	43,846		65,615		5,004	
Prepaid items	634	1,561			47,446			
Inventory		5,652					23,376	
TOTAL ASSETS	\$ 3,864,656	\$ 3,106,560	\$ 1,080,184	\$ 14,562	\$ 9,772,668	\$ 702,235	\$ 8,731,274	\$ 2,478,022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities:								
Accounts payable	\$ 30,797	\$ 187,321	\$	\$	\$ 46,656	\$	\$ 452,219	\$
Deposits payable		191,094			324,000			
Accrued compensation and payroll taxes	278,796	292,570					13,709	
Due to other funds	6,923	67,354		14,562	34,482		354	
Advances from other funds								
Unearned revenue								
Due to other governmental units	26,459	311,281			3,444		5,370,511	348
Total Liabilities	342,975	1,049,620		14,562	408,582		5,836,793	348
Deferred Inflows of Resources:								
Unavailable revenue:								
Property taxes	174,235	186,672			18,030		7,251	
Special assessments		83,887						
Loans receivable								
Total Deferred Inflows of Resources	174,235	270,559			18,030		7,251	
Fund Balance:								
Nonspendable	634	7,213			47,446		23,376	
Restricted					9,298,610	702,235		
Assigned	3,346,812	1,779,168	1,080,184				2,863,854	2,477,674
Unassigned								
Total Fund Balance	3,347,446	1,786,381	1,080,184		9,346,056	702,235	2,887,230	2,477,674
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,864,656	\$ 3,106,560	\$ 1,080,184	\$ 14,562	\$ 9,772,668	\$ 702,235	\$ 8,731,274	\$ 2,478,022

Community Development Projects		Debt Service								Total Nonmajor Governmental Funds
DMCC	Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond		
\$	\$ 3,313	\$	\$	\$ 4,386	\$	\$	\$ 19,247	\$ 1,239,167	\$ 1,657,733	\$ 3,511,445
					11,733		65			25,467,600
10,000	75,000									104,010
3,887,529					35,904			31,166		2,749,049
	222,588									3,887,529
122,689	78,937		89,107	26,617						453,258
										83,887
										222,588
										539,263
										217,685
										29,028
<u>\$ 4,020,218</u>	<u>\$ 379,838</u>	<u>\$</u>	<u>\$</u>	<u>\$ 93,493</u>	<u>\$ 74,254</u>	<u>\$</u>	<u>\$ 19,312</u>	<u>\$ 1,270,333</u>	<u>\$ 1,657,733</u>	<u>\$ 37,265,342</u>
\$ 16,767	\$ 224,901	\$	\$	\$	\$	\$	\$ 19,062	\$	\$	\$ 977,723
										515,094
103,420	76,000			1,900,000						585,075
	78,937									303,095
12,502										1,900,000
132,689	379,838			1,900,000			19,062			78,937
										5,724,545
										10,084,469
					35,904			31,166		453,258
										83,887
3,887,529										3,887,529
3,887,529					35,904			31,166		4,424,674
	78,937		89,107							246,713
					38,350		250	1,239,167	1,657,733	12,936,345
	(78,937)		(1,895,614)							11,547,692
			(1,806,507)		38,350		250	1,239,167	1,657,733	(1,974,551)
										22,756,199
<u>\$ 4,020,218</u>	<u>\$ 379,838</u>	<u>\$</u>	<u>\$</u>	<u>\$ 93,493</u>	<u>\$ 74,254</u>	<u>\$</u>	<u>\$ 19,312</u>	<u>\$ 1,270,333</u>	<u>\$ 1,657,733</u>	<u>\$ 37,265,342</u>

CITY OF ROCHESTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	Special Revenue							
	Library	Municipal Recreation System	Mayo Civic Center	Edward Byrne Memorial JAG	Airport Operations	F.E. Williams Estate	Transit	Minnesota Bio Science Center
REVENUES								
General property taxes	\$ 7,085,526	\$ 8,120,341	\$	\$	\$ 555,588	\$	\$ 261	\$
Tax increment collection								
Nonproperty tax			221,549					
Intergovernmental revenues	1,202,325	93,858		24,959	1,527,878		7,658,491	
Charges for services	11,731	3,821,228			2,163,911		1,356,782	
Interest earnings (loss)	37,384	18,919	13,190		106,606	9,645	137,697	18,013
Net decrease in the fair value of investments	(67,500)	(55,300)	(24,900)		(116,500)	(13,500)	(222,300)	(22,100)
Rental revenues					1,990,779			2,460,184
Miscellaneous revenues	217,926	249,821	146,367		10,683		225,609	
Total Revenues	8,487,392	12,248,867	356,206	24,959	6,238,945	(3,855)	9,156,540	2,456,097
EXPENDITURES								
Public safety				24,959				
Culture	8,535,043							
Park and recreation/Mayo Civic Center		12,494,112	206,698					
Airport operations					4,634,461			
Transit							9,870,424	
Economic development/tourism								1,542,730
Debt service								
Total Expenditures	8,535,043	12,494,112	206,698	24,959	4,634,461		9,870,424	1,542,730
Excess (deficiency) of revenues over (under) expenditures	(47,651)	(245,245)	149,508		1,604,484	(3,855)	(713,884)	913,367
OTHER FINANCING SOURCES (USES)								
Bond refunding payments								
Transfers in		70,000						1,400,000
Transfers out	(23,000)	(682,662)	(225,428)				(1,863,182)	(1,226,204)
Total Other Financing Sources (Uses)	(23,000)	(612,662)	(225,428)				(1,863,182)	173,796
Net change in fund balances	(70,651)	(857,907)	(75,920)		1,604,484	(3,855)	(2,577,066)	1,087,163
Fund Balances - beginning	3,418,097	2,644,288	1,156,104		7,741,572	706,090	5,464,296	1,390,511
Fund Balances - ending	\$ 3,347,446	\$ 1,786,381	\$ 1,080,184	\$	\$ 9,346,056	\$ 702,235	\$ 2,887,230	\$ 2,477,674

Community Development Projects	Debt Service									Total Nonmajor Governmental Funds
	DMCC	Tax Increment Bonds	TIF Revenue Bond	Economic Development Authority Bond	Public Works and Transit Operation Center Bond	Lodging Tax Revenue Bond	GO Variable Rate Sales Tax Bond	Lease Revenue 2020A Bond	2020C GO Refunding Bond	
\$	\$	\$ 399,363	\$	\$	\$ 1,614,850	\$	\$	\$ 1,401,746	\$	\$ 18,778,312
										399,363
1,511,546					77,980					221,549
23,803			(1,862)		(41,152)		188	(3,276)	97,740	12,097,037
										7,353,652
										416,895
										(522,100)
427,198										4,450,963
1,962,547		399,363	(1,862)		1,651,678		188	1,398,470	97,740	1,277,604
										24,959
										8,535,043
										12,700,810
										4,634,461
1,329,865	2,053,572			16,543						9,870,424
		399,363	1,454,831	2,357,493	1,405,041	2,927,438	2,851,331		412,320	4,942,710
1,329,865	2,053,572	399,363	1,454,831	2,374,036	1,405,041	2,927,438	2,851,331		412,320	11,807,817
										52,516,224
632,682	(2,053,572)		(1,456,693)	(2,374,036)	246,637	(2,927,438)	(2,851,143)	1,398,470	(314,580)	(8,042,949)
										(18,375,000)
	2,053,572		1,456,693	2,660,504	(18,375,000)	2,927,438	2,851,115			29,829,142
(600,000)					16,409,820			(1,434,300)	(16,409,820)	(22,464,596)
(600,000)	2,053,572		1,456,693	2,660,504	(1,965,180)	2,927,438	2,851,115	(1,434,300)	(16,409,820)	(11,010,454)
32,682				286,468	(1,718,543)		(28)	(35,830)	(16,724,400)	(19,053,403)
(32,682)				(2,092,975)	1,756,893		278	1,274,997	18,382,133	41,809,602
\$	\$	\$	\$	\$ (1,806,507)	\$ 38,350	\$	\$ 250	\$ 1,239,167	\$ 1,657,733	\$ 22,756,199

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

For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 7,127,713	\$ 7,127,713	\$ 7,085,526	\$ (42,187)
Intergovernmental revenues	1,110,097	1,176,755	1,202,325	25,570
Charges for services	103,400	51,000	11,731	(39,269)
Interest earnings	11,500	36,501	37,384	883
Net decrease in the fair value of investments			(67,500)	(67,500)
Miscellaneous revenues				
Contributions		217,202	217,202	
Other	3,300	3,300	724	(2,576)
Total Revenues	<u>8,356,010</u>	<u>8,612,471</u>	<u>8,487,392</u>	<u>(125,079)</u>
EXPENDITURES				
Public Library	8,373,638	8,408,974	8,270,516	138,458
Gifts appropriations		894,760	264,527	630,233
Total Expenditures	<u>8,373,638</u>	<u>9,303,734</u>	<u>8,535,043</u>	<u>768,691</u>
Excess (deficiency) of revenues over (under) expenditures	(17,628)	(691,263)	(47,651)	643,612
OTHER FINANCING USES				
Transfers out	(23,000)	(23,000)	(23,000)	
Net change in fund balance	(40,628)	(714,263)	(70,651)	643,612
Fund Balance - beginning	3,418,097	3,418,097	3,418,097	
Fund Balance - ending	<u>\$ 3,377,469</u>	<u>\$ 2,703,834</u>	<u>\$ 3,347,446</u>	<u>\$ 643,612</u>

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

For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,170,142	\$ 8,170,142	\$ 8,120,341	\$ (49,801)
Intergovernmental revenues	54,096	54,096	93,858	39,762
Charges for services	4,206,547	4,206,547	3,821,228	(385,319)
Interest earnings	21,400	21,400	18,919	(2,481)
Net decrease in the fair value of investments			(55,300)	(55,300)
Miscellaneous revenues				
Contributions	11,500	13,115	38,918	25,803
Other	139,303	147,181	210,903	63,722
Total Revenues	<u>12,602,988</u>	<u>12,612,481</u>	<u>12,248,867</u>	<u>(363,614)</u>
EXPENDITURES				
Administration	649,820	677,218	686,968	(9,750)
Recreation Department	727,574	745,715	598,468	147,247
Golf	1,604,138	1,671,108	1,574,338	96,770
Tennis Center	59,257	59,257	54,711	4,546
Volleyball Center	382,450	382,450	336,092	46,358
Swimming Pools	94,256	139,256	299,958	(160,702)
Graham Arenas	837,798	837,798	956,183	(118,385)
Park	6,639,855	6,705,144	6,539,244	165,900
Plummer House	97,343	97,343	81,345	15,998
Recreation Center	1,339,781	1,339,781	1,366,805	(27,024)
Total Expenditures	<u>12,432,272</u>	<u>12,655,070</u>	<u>12,494,112</u>	<u>160,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>170,716</u>	<u>(42,589)</u>	<u>(245,245)</u>	<u>(202,656)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			70,000	70,000
Transfers out	(211,662)	(682,662)	(682,662)	
Total Other Financing Sources (Uses)	<u>(211,662)</u>	<u>(682,662)</u>	<u>(612,662)</u>	<u>70,000</u>
Net change in fund balance	(40,946)	(725,251)	(857,907)	(132,656)
Fund Balance - beginning	<u>2,644,288</u>	<u>2,644,288</u>	<u>2,644,288</u>	
Fund Balance - ending	<u>\$ 2,603,342</u>	<u>\$ 1,919,037</u>	<u>\$ 1,786,381</u>	<u>\$ (132,656)</u>

CITY OF ROCHESTER, MINNESOTA
MAYO CIVIC CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Nonproperty taxes	\$ 225,428	\$ 225,428	\$ 221,549	\$ (3,879)
Interest earnings			13,190	13,190
Net decrease in the fair value of investments			(24,900)	(24,900)
Miscellaneous revenues			146,367	146,367
Total Revenues	<u>225,428</u>	<u>225,428</u>	<u>356,206</u>	<u>130,778</u>
EXPENDITURES				
Mayo Civic Center	<u>16,773</u>	<u>16,773</u>	<u>206,698</u>	<u>(189,925)</u>
Excess (deficiency) of revenues over (under) expenditures	208,655	208,655	149,508	(59,147)
OTHER FINANCING USES				
Transfers out	<u>(225,428)</u>	<u>(225,428)</u>	<u>(225,428)</u>	
Net change in fund balance	(16,773)	(16,773)	(75,920)	(59,147)
Fund Balance - beginning	<u>1,156,104</u>	<u>1,156,104</u>	<u>1,156,104</u>	
Fund Balance - ending	<u>\$ 1,139,331</u>	<u>\$ 1,139,331</u>	<u>\$ 1,080,184</u>	<u>\$ (59,147)</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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 557,907	\$ 557,907	\$ 555,588	\$ (2,319)
Intergovernmental revenues	285,385	285,385	1,527,878	1,242,493
Charges for services	3,069,381	3,069,381	2,163,911	(905,470)
Interest earnings	12,000	12,000	106,606	94,606
Net decrease in the fair value of investments			(116,500)	(116,500)
Rental revenues	2,078,447	2,078,447	1,990,779	(87,668)
Miscellaneous revenues			10,683	10,683
Total Revenues	<u>6,003,120</u>	<u>6,003,120</u>	<u>6,238,945</u>	<u>235,825</u>
EXPENDITURES				
Airport operations	4,607,092	4,607,092	4,428,519	178,573
US customs operations	161,500	161,500	205,942	(44,442)
Total Expenditures	<u>4,768,592</u>	<u>4,768,592</u>	<u>4,634,461</u>	<u>134,131</u>
Net change in fund balance	1,234,528	1,234,528	1,604,484	369,956
Fund Balance - beginning	<u>7,741,572</u>	<u>7,741,572</u>	<u>7,741,572</u>	
Fund Balance - ending	<u>\$ 8,976,100</u>	<u>\$ 8,976,100</u>	<u>\$ 9,346,056</u>	<u>\$ 369,956</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, 2021

	<u>Budgeted Amounts</u>		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Interest earnings	\$ 6,600	\$ 6,600	\$ 9,645	\$ 3,045
Net decrease in the fair value of investments			<u>(13,500)</u>	<u>(13,500)</u>
Net change in fund balance	6,600	6,600	(3,855)	(10,455)
Fund Balance - beginning	<u>706,090</u>	<u>706,090</u>	<u>706,090</u>	
Fund Balance - ending	<u>\$ 712,690</u>	<u>\$ 712,690</u>	<u>\$ 702,235</u>	<u>\$ (10,455)</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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 261	\$ 261
Intergovernmental revenues	11,844,660	11,844,660	7,658,491	(4,186,169)
Charges for services	2,670,850	2,670,850	1,356,782	(1,314,068)
Interest earnings	26,700	26,700	137,697	110,997
Net decrease in the fair value of investments			(222,300)	(222,300)
Miscellaneous revenues	67,200	141,290	225,609	84,319
Total Revenues	<u>14,609,410</u>	<u>14,683,500</u>	<u>9,156,540</u>	<u>(5,526,960)</u>
EXPENDITURES				
Fixed route	13,142,070	13,221,957	9,196,718	4,025,239
Demand response - ZIPS	1,115,712	1,116,049	673,706	442,343
Total Expenditures	<u>14,257,782</u>	<u>14,338,006</u>	<u>9,870,424</u>	<u>4,467,582</u>
Excess (deficiency) of revenues over (under) expenditures	351,628	345,494	(713,884)	(1,059,378)
OTHER FINANCING USES				
Transfers out			(1,863,182)	(1,863,182)
Net change in fund balance	351,628	345,494	(2,577,066)	(2,922,560)
Fund Balance - beginning	<u>5,464,296</u>	<u>5,464,296</u>	<u>5,464,296</u>	
Fund Balance - ending	<u>\$ 5,815,924</u>	<u>\$ 5,809,790</u>	<u>\$ 2,887,230</u>	<u>\$ (2,922,560)</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, 2021

	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Economic development/tourism	\$ 2,504,526	\$ 2,504,526	\$ 2,053,572	\$ 450,954
Excess (deficiency) of revenues over (under) expenditures	(2,504,526)	(2,504,526)	(2,053,572)	450,954
OTHER FINANCING SOURCES				
Transfers in	2,504,526	2,504,526	2,053,572	(450,954)
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, 2021

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, 2021

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 212,937	\$ 127,482	\$ 580,980	\$ 14,433	\$ 935,832
Investments	8,426,100	5,626,000	25,633,900	2,094,600	41,780,600
Accrued interest receivable	29,802	19,864	90,744	7,384	147,794
Accounts receivable			3,214		3,214
Taxes receivable delinquent	7,634	765			8,399
Advances to other funds			5,014,298		5,014,298
Due from other funds		18,750			18,750
Due from other governmental units	2,727	250			2,977
Total Current Assets	<u>8,679,200</u>	<u>5,793,111</u>	<u>31,323,136</u>	<u>2,116,417</u>	<u>47,911,864</u>
Noncurrent Assets:					
Capital assets:					
Construction in process	933,014				933,014
Machinery and equipment	44,258,207	3,555,677			47,813,884
Less: Accumulated depreciation	(30,190,643)	(3,160,938)			(33,351,581)
Total capital assets (net of accumulated depreciation)	<u>15,000,578</u>	<u>394,739</u>			<u>15,395,317</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from OPEB activity			3,716,882		3,716,882
Total Assets and Deferred Outflows of Resources	<u>23,679,778</u>	<u>6,187,850</u>	<u>35,040,018</u>	<u>2,116,417</u>	<u>67,024,063</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	22,726	52,501	290,317		365,544
Accrued interest payable	26,363				26,363
Deposits payable			1,193		1,193
Unearned revenue			183,697		183,697
Due to other governmental units			15,226		15,226
Accrued claims			2,449,996		2,449,996
Bonds payable	250,000				250,000
Total Current Liabilities	<u>299,089</u>	<u>52,501</u>	<u>2,940,429</u>		<u>3,292,019</u>
Noncurrent Liabilities:					
Bonds payable	1,695,000				1,695,000
Accrued claims			930,104		930,104
Post employment benefit obligation			16,687,258		16,687,258
Total Noncurrent Liabilities	<u>1,695,000</u>		<u>17,617,362</u>		<u>19,312,362</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from OPEB activity			212,341		212,341
Total Liabilities and Deferred Inflows of Resources	<u>1,994,089</u>	<u>52,501</u>	<u>20,770,132</u>	<u>2,116,417</u>	<u>22,816,722</u>
NET POSITION					
Net investment in capital assets	13,055,578	394,739			13,450,317
Unrestricted	8,630,111	5,740,610	14,269,886	2,116,417	30,757,024
Total Net Position	<u>\$ 21,685,689</u>	<u>\$ 6,135,349</u>	<u>\$ 14,269,886</u>	<u>\$ 2,116,417</u>	<u>\$ 44,207,341</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, 2021

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 3,315,880	\$ 2,281,278	\$	\$	\$ 5,597,158
Copy center charges	19,465				19,465
Departmental workers' compensation charges			798,824		798,824
Departmental insurance charges			22,686,998		22,686,998
Departmental flex charges			12,524		12,524
Employee insurance charges			1,757,111		1,757,111
Employee flex benefit contributions			558,045		558,045
Total Operating Revenues	<u>3,335,345</u>	<u>2,281,278</u>	<u>25,813,502</u>		<u>31,430,125</u>
Operating Expenses:					
Copy center	14,527				14,527
Minor equipment		269,803			269,803
Workers' compensation benefits			2,032,611		2,032,611
Workers' compensation insurance premiums			34,239		34,239
Health insurance claims			25,304,199		25,304,199
Flex benefits			590,896		590,896
Property and liability insurance			687,482		687,482
Property and liability claims			81,790		81,790
Other	12,065	1,110,522			1,122,587
Depreciation	3,159,366	285,501			3,444,867
Total Operating Expenses	<u>3,185,958</u>	<u>1,665,826</u>	<u>28,731,217</u>		<u>33,583,001</u>
Operating Income (Loss)	<u>149,387</u>	<u>615,452</u>	<u>(2,917,715)</u>		<u>(2,152,876)</u>
Nonoperating Revenues (Expenses):					
General property taxes	325,753	232			325,985
Interest earnings	113,118	72,701	409,966	33,702	629,487
Net decrease in the fair value of investments	(144,700)	(102,100)	(507,600)	(28,099)	(782,499)
Interest and fiscal charges	(63,935)				(63,935)
Gain on disposal of property	187,693				187,693
Total Nonoperating Revenues (Expenses)	<u>417,929</u>	<u>(29,167)</u>	<u>(97,634)</u>	<u>5,603</u>	<u>296,731</u>
Income (Loss) Before Transfers and Capital Contributions	567,316	586,285	(3,015,349)	5,603	(1,856,145)
Capital contributions	16,847				16,847
Transfers in			104,196	1,100,000	1,204,196
Transfers out		(121,134)		(33,000)	(154,134)
Change in Net Position	584,163	465,151	(2,911,153)	1,072,603	(789,236)
Total Net Position - beginning	<u>21,101,526</u>	<u>5,670,198</u>	<u>17,181,039</u>	<u>1,043,814</u>	<u>44,996,577</u>
Total Net Position - ending	<u>\$ 21,685,689</u>	<u>\$ 6,135,349</u>	<u>\$ 14,269,886</u>	<u>\$ 2,116,417</u>	<u>\$ 44,207,341</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Cash Flows From Operating Activities:					
Cash received from other departments	\$ 3,350,382	\$ 2,262,300	\$ 23,941,828	\$	\$ 29,554,510
Cash received from employees			2,311,942		2,311,942
Cash paid to suppliers	<u>(26,592)</u>	<u>(1,385,522)</u>	<u>(26,887,697)</u>		<u>(28,299,811)</u>
Net Cash Provided By (Used In) Operating Activities	<u>3,323,790</u>	<u>876,778</u>	<u>(633,927)</u>		<u>3,566,641</u>
Cash Flows From Noncapital Financing Activities:					
General property taxes	325,975	373			326,348
Transfers in			104,196	1,100,000	1,204,196
Transfers out		<u>(121,134)</u>		<u>(33,000)</u>	<u>(154,134)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>325,975</u>	<u>(120,761)</u>	<u>104,196</u>	<u>1,067,000</u>	<u>1,376,410</u>
Cash Flows From Capital and Related Financing Activities:					
Principal payments on bonds	(245,000)				(245,000)
Interest payments on bonds	(67,256)				(67,256)
Proceeds from sale of property	256,518				256,518
Acquisition of capital assets	<u>(1,984,087)</u>	<u>(41,206)</u>			<u>(2,025,293)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(2,039,825)</u>	<u>(41,206)</u>			<u>(2,081,031)</u>
Cash Flows From Investing Activities:					
Investment income	113,074	74,520	432,165	31,132	650,891
Net (increase) decrease in investments	<u>(1,764,700)</u>	<u>(762,100)</u>	<u>(264,300)</u>	<u>(1,136,699)</u>	<u>(3,927,799)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(1,651,626)</u>	<u>(687,580)</u>	<u>167,865</u>	<u>(1,105,567)</u>	<u>(3,276,908)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,686)	27,231	(361,866)	(38,567)	(414,888)
Cash and Cash Equivalents, Beginning of Year	<u>254,623</u>	<u>100,251</u>	<u>942,846</u>	<u>53,000</u>	<u>1,350,720</u>
Cash and Cash Equivalents, End of Year	<u>\$ 212,937</u>	<u>\$ 127,482</u>	<u>\$ 580,980</u>	<u>\$ 14,433</u>	<u>\$ 935,832</u>

CITY OF ROCHESTER, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2021

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Employee Benefits Fund	Total
Operating Income (Loss)	\$ 149,387	\$ 615,452	\$ (2,917,715)	\$	\$ (2,152,876)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	3,159,366	285,501			3,444,867
(Increase) Decrease In:					
Accounts receivable			(3,214)		(3,214)
Due from other governmental units	15,037	(228)			14,809
Advances due from other funds			443,482		443,482
Due from other funds		(18,750)			(18,750)
Deferred outflows from OPEB activity			(733,385)		(733,385)
Increase (Decrease) In:					
Accounts payable		(5,197)	(368,692)		(373,889)
Deposits payable			(137)		(137)
Unearned revenue			8,219		8,219
Due to other governmental units			9,543		9,543
Post employment benefit obligation			2,071,420		2,071,420
Deferred inflows from OPEB activity			(42,469)		(42,469)
Accrued claims			899,021		899,021
Net Cash Provided by (Used In) Operating Activities	\$ 3,323,790	\$ 876,778	\$ (633,927)	\$	\$ 3,566,641
Non Cash Transactions:					
Decrease in fair value of investments	\$ (144,700)	\$ (102,100)	\$ (507,600)	\$ (28,099)	\$ (754,400)
Receipt of contributed property	16,847				16,847
Equipment purchases in accounts payable at year end	22,726				22,726

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