

**CITY OF ROCHESTER, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

DEPARTMENT OF FINANCE

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

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CITY OF ROCHESTER, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2007

TABLE OF CONTENTS

	<u>REFERENCE</u>	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal		i
Certificate of Achievement		vi
Organizational Chart		vii
List of Elected and Appointed Officials		viii
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Assets	FORM A-1	16
Statement of Activities	FORM A-2	17
Fund Financial Statements		
Balance Sheet - Governmental Funds	FORM B-1	19
Reconciliation of Net Assets in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	FORM B-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	FORM B-3	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	FORM B-4	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	FORM B-5	23
Statement of Net Assets - Proprietary Funds	FORM C-1	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	FORM C-2	27
Statement of Cash Flows - Proprietary Funds	FORM C-3	29
Notes to the Financial Statements		33
Combining and Individual Nonmajor Fund Statements and Schedules		
Combining Balance Sheet - Nonmajor Governmental Funds	FORM D-1	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	FORM D-2	75
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Library Fund	FORM D-3	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Municipal Recreation System Fund	FORM D-4	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Law Enforcement Block Grants Fund	FORM D-5	79

**CITY OF ROCHESTER, MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2007**

**TABLE OF CONTENTS (CONTINUED)**

	<u>REFERENCE</u>	<u>PAGE</u>
<b>FINANCIAL SECTION (CONTINUED)</b>		
Combining and Individual Nonmajor Fund Statements and Schedules (continued)		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Airport Operations Fund	FORM D-6	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - F.E. Williams Estate Fund	FORM D-7	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Transit Fund	FORM D-8	82
Combining Statement of Net Assets - Internal Service Funds	FORM E-1	84
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	FORM E-2	85
Combining Statement of Cash Flows - Internal Service Funds	FORM E-3	86
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Schedule of Funding Progress - Other Post Employment Benefits		88
<b>SUPPLEMENTARY INFORMATION</b>		
Schedule of Debt Maturities		89
Schedule of Personnel Expenditures - All Funds		98
<b>STATISTICAL SECTION</b>		
Changes in Net Assets	Schedule 1	100
Net Assets by Component	Schedule 2	102
Fund Balances, Governmental Funds	Schedule 3	103
Changes in Fund Balances, Governmental Funds	Schedule 4	104
Tax Capacity and Estimated Actual Value of Taxable Property	Schedule 5	105
Property Tax Rates and Tax Levies - Direct and Overlapping Property Tax Rates	Schedule 6	106
Principal Property Taxpayers	Schedule 7	107
Schedule of Property Tax Levies and Collections	Schedule 8	108
Electric, Water and Sanitary Sewer Charges by Customer	Schedule 9	109
Ratios of Outstanding Debt by Type	Schedule 10	110
Ratios of General Bonded Debt Outstanding	Schedule 11	112
Computation of Direct and Indirect General Obligation Bonded Debt and Legal Debt Margin	Schedule 12	113
Legal Debt Margin Information	Schedule 13	114
Pledged Revenue Coverage	Schedule 14	115
Demographic and Economic Statistics	Schedule 15	116
Principal Employers	Schedule 16	117
Full-Time Equivalent Employees by Function	Schedule 17	118
Operating Indicators by Function/Program	Schedule 18	119
Capital Assets Statistics by Function/Program	Schedule 19	120

**CITY OF ROCHESTER, MINNESOTA**  
**INTRODUCTORY SECTION**  
**DECEMBER 31, 2007**

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# ROCHESTER

*Minnesota*



May 20, 2008

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

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

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Rochester for the fiscal year ended December 31, 2007.

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

The City of Rochester's financial statements have been audited by Smith, Schafer and Associates, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Rochester for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Rochester's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **CITY OF ROCHESTER, MINNESOTA**

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

### **PROFILE OF THE GOVERNMENT**

The City of Rochester, incorporated on August 5, 1858, is located in the southeastern part of the State of Minnesota, which is considered to be one of the top growth areas in the state, and one of the top growth areas in the country. The City currently has a land area of nearly 51.89 square miles and serves a population of 100,845. The City of Rochester is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City of Rochester's financial planning and control. All departments and agencies of the City of Rochester submit requests for appropriation to the city administrator in August of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then provides this proposed budget to the council for review prior to November 15<sup>th</sup>. Work sessions are then held with the council covering each department budget. The council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Rochester's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 23-24 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 73.

## CITY OF ROCHESTER, MINNESOTA

### FACTORS AFFECTING FINANCIAL CONDITION

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

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

Recent indicators of Rochester's economic vitality include:

- **Jobs.** Total employment figures in the last 12 months ending March of 2008 have shown a moderate increase of 1,938 jobs since the first quarter of 2007 and an increase of 2,828 jobs since the first quarter of 2006. This long-term trend of employment growth has continued for 14 years.
- **Unemployment.** Rochester's unemployment rate increased slightly to 4.6 percent by the end of March 2008, up from 4.3 percent one year ago. It remains below the state and U.S. averages of 5.4 and 5.2 percent respectively. The average unemployment rate for Rochester over the past 12 months was 3.9%.
- **Home Sales.** Home sales for the first quarter of 2008 did fall to \$64.3 million from \$68.3 million the year before, representing a decline of 5.9% from the prior year.
- **Building Activity.** First quarter 2008 commercial and residential building permits totaled over \$75 million. Although this was a decrease of 15.7% from the same quarter in 2007, it was an increase of 17% over the same quarter in 2006.

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

- **Cascade Lake Development.** The City has purchased some properties, provided for the relocation of power lines, obtained easements and accepted development plans for the gravel mining and eventual development of what will become the largest lake in the area. Plans are proceeding for adjacent public parkland and a public bike trail surrounding the lake. This project has already become a significant attraction for new residential development, and will eventually be a wonderful asset for all the citizens of Rochester to enjoy.
- **Downtown Development.** The Downtown Alliance and the City's development department are working on a number of exciting projects to rejuvenate this area including the Downtown Plaza Project, and a new 9-story Bioscience Building to be built by the City's Economic Development Authority. An expansion of the City's 1st Avenue Parking Ramp is also under construction to support the new facility.

## CITY OF ROCHESTER, MINNESOTA

### Long-term financial planning (continued).

- Expansion of Sewer Collection and Water Service Systems. Construction of new sewer mains from the sewer plant expansion to new development territory is underway. This, along with the upgrade of a major lift station is opening up significant new development areas for the City to expand.
- Fire Station Five. The continued growth of the City has necessitated construction of a fifth fire station at the southern section of Rochester to maintain response times. The grand opening of this facility occurred in May of 2008.
- Electric Utility Improvements. Our electric utility issued bonds in early 2007 to provide for emission control improvements at the Silver Lake Plant and the design of a new major transmission line to serve the community.
- Joint Maintenance Facility. Street crews have outgrown our existing equipment maintenance facility and have sold the property to the adjacent Olmsted Medical Center Hospital to provide room for the Hospital's expansion plans. Design architects are currently being selected to facilitate construction of an equipment maintenance facility to house and maintain both our street maintenance and our transit system vehicles and equipment. A planned construction phase is scheduled for 2009 – 2010.

**Cash management policies and practices.** Cash temporarily idle during the year was invested in short-term government money market accounts, commercial paper, obligations of the U.S. Treasury and its agencies, and municipal bonds. The maturities of the investments range from 4 days to 20 years with an average maturity of 1.6 years. Investment income includes appreciation or depreciation in the fair value of investments. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

**Risk management.** The City maintains a self-insurance program for employee group health coverage and workers' compensation and a high deductible policy on property and casualty coverage. The group health program is limited to losses of \$225,000 per claim with a variable annual aggregate, and the 2007 workers' compensation exposure is limited to \$800,000 per occurrence, both through the use of stop-loss policies. The City's general and auto liability policies retain a \$200,000 aggregate deductible exposure with a \$1,000,000 statutory limit of coverage. The City recognizes a liability on individual claims when a claim is probable and the amount can be reasonably estimated. In addition the City recognizes an estimated liability on claims that have been incurred but not reported. The workers' compensation premium charged to the departmental budgets for 2007 was a factor of 0.30 of the Workers' Compensation Reinsurance Association adjusted pure premium exposure base rate.

Health coverage premiums were increased 9 percent in 2007 and 5 percent for 2008 as the self insurance fund finally began to build up some reserves after a few years of high claims and the continued increases in general health care costs. Dental premiums were increased a more substantial 15% increase in 2007 and 8% in 2008. Despite these significant increases, premiums still remain about average in the market for comparable coverage. Additional information on the City's risk management activity can be found in Note 4:A. of the notes to the financial statements.

## CITY OF ROCHESTER, MINNESOTA

**Pension.** Substantially all employees of the City of Rochester are covered by a statewide defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). Employees participated in one of the following plans during 2007:

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

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

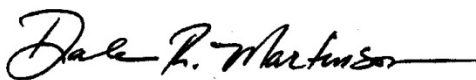
### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochester, Minnesota for its comprehensive annual financial report for the fiscal year ended December 31, 2006. This was the thirty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Dale R. Martinson  
Director of Finance



Stevan E. Kvenvold  
City Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rochester  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

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



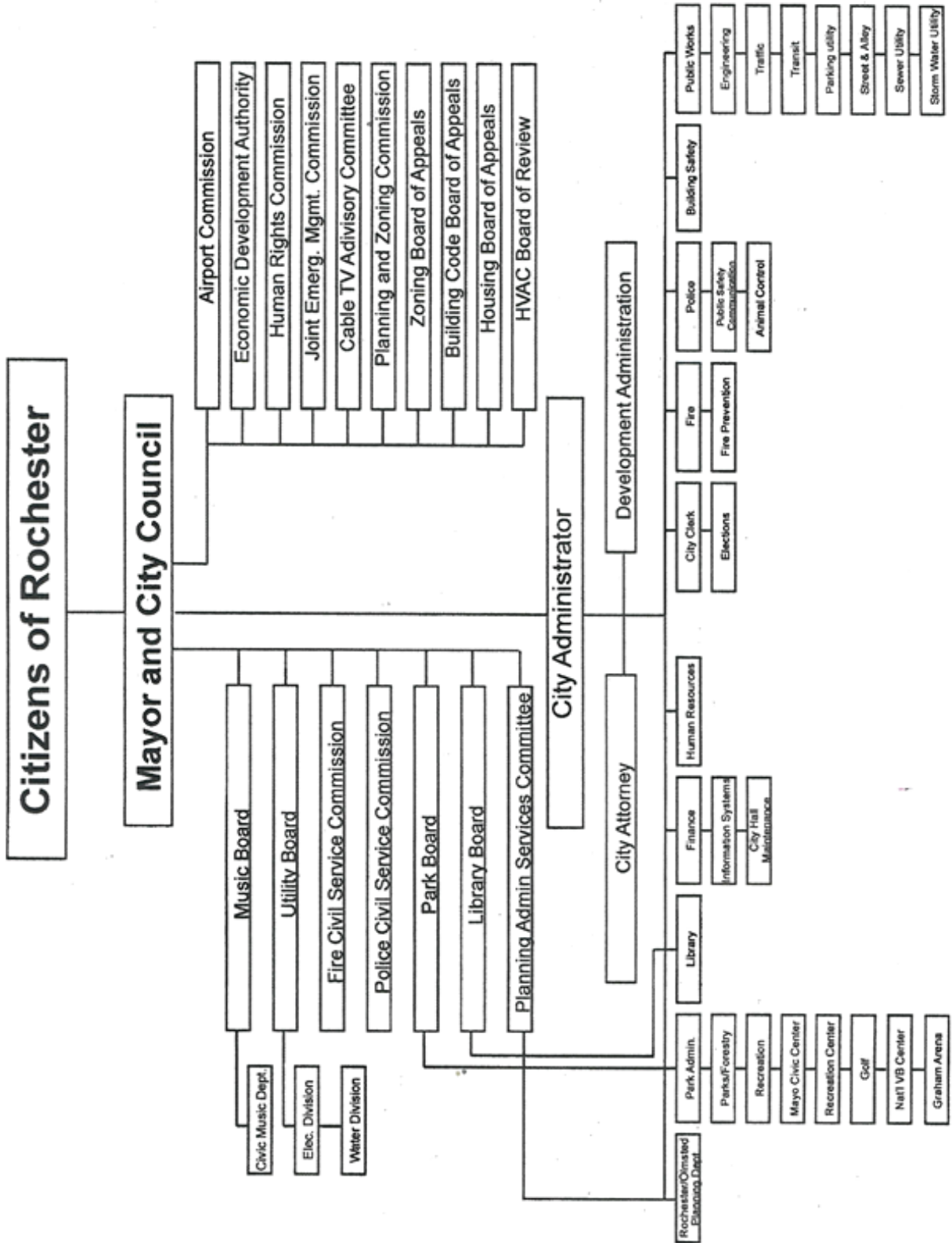
*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director

**CITY OF ROCHESTER, MINNESOTA  
ORGANIZATIONAL CHART**



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

**MAYOR - COUNCIL**

	Initial Term <u>Commenced</u>	Current Term Expires <u>December 31</u>
Mayor, Ardell F. Brede	2003	2010
Council President, Dennis L. Hanson	1994	2008
Councilmember First Ward, Ed Hruska	2006	2010
Councilmember Second Ward, Marcia Marcoux	1996	2008
Councilmember Third Ward, Bruce Snyder	1987	2010
Councilmember Fourth Ward, Patt Carr	1994	2008
Councilmember Fifth Ward, Bob Nowicki	2003	2010
Councilmember Sixth Ward, Sandra Means	2003	2008

**CITY ADMINISTRATOR**

Stevan E. Kvenvold

**DIRECTOR OF FINANCE – TREASURER**

Dale R. Martinson

**OTHER CITY OFFICIALS**

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

**CITY OF ROCHESTER, MINNESOTA**  
**FINANCIAL SECTION**  
**DECEMBER 31, 2007**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, Minnesota as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2008, on our consideration of the City of Rochester, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Management's Discussion and Analysis, on pages 3 through 15, and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochester, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and supplementary information as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the Table of Contents as the introductory section and statistical section are presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. This additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Smith, Schaefer and Associates, Ltd.*

Rochester, Minnesota  
May 20, 2008

## **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, 2007, with comparative data for the fiscal year ended December 31, 2006. 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 of the City of Rochester exceeded its liabilities at the close of the most recent fiscal year by \$999,469,418 (*net assets*). Of this amount, \$185,276,208 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$44,361,973.
- As of the close of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$115,704,437. Approximately 71 percent of this total amount, or \$82,120,741, is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$21,191,433 representing 42 percent of total general fund expenditures.
- The City of Rochester increased total outstanding long term debt obligations by \$94,530,340 during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

Additional explanation of these sections of the financial statements follows.

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

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

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

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

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

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

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

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

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

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

The City of Rochester maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the construction improvement capital projects fund, both of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided with the *combining statements* on pages 73-82 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 23-24) and the special revenue funds (pages 77-82) to demonstrate compliance with the budget.

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

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-70 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds, individual nonmajor fund information, and internal service funds can be found on pages 73-87 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rochester, assets exceeded liabilities by \$999,469,418 at the close of the most recent fiscal year.

By far the largest portion of the City of Rochester's net assets (78 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Rochester uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rochester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

An additional portion of the City of Rochester's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$185,276,208) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Governmental activities.** Governmental activities increased the City of Rochester's net assets by \$20,179,810. Much of this increase can be found in the capital grants and contributions (primarily roads and an Art Center Building contribution) while the remainder is due to higher than expected fee revenue and lower than expected operating costs.

**Business-type activities.** Business-type activities increased the City of Rochester's net assets by \$24,182,163. Operations in the City's electric, water, sewer and storm water utilities contributed the majority of the increase. The rest of this increase is attributable to the capital contribution of water, parking, sewer and storm sewer infrastructure assets.

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

A condensed version of the Statement of Activities follows:

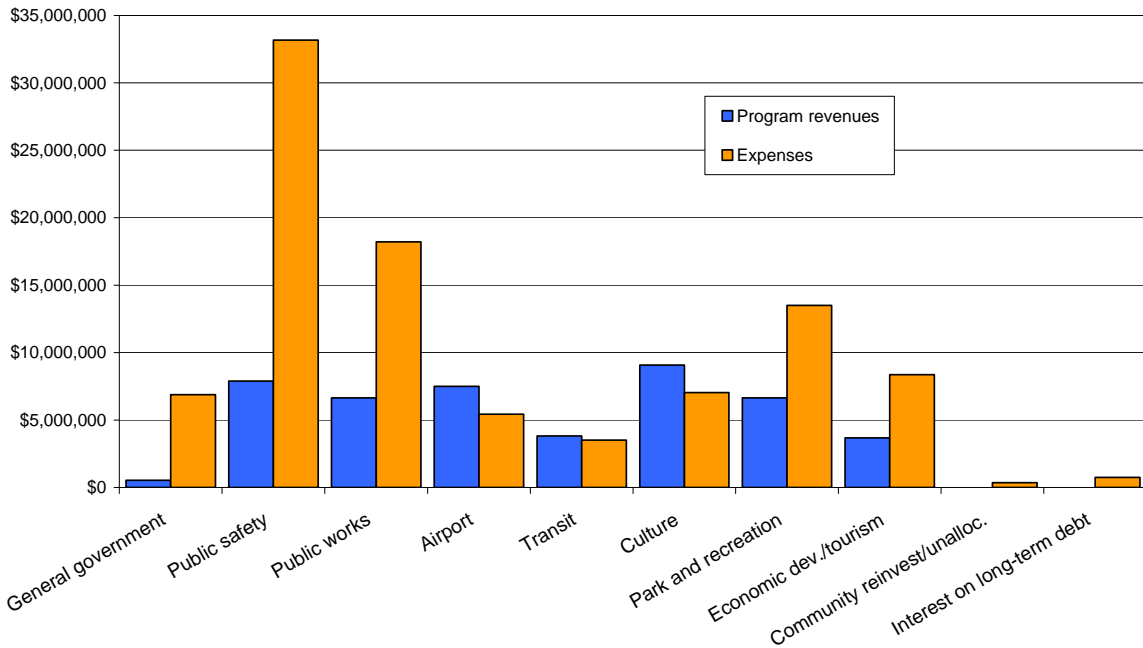
**City of Rochester's Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenues:						
Charges for services	\$ 15,215,322	\$ 14,810,527	\$ 185,942,759	\$ 157,961,164	\$ 201,158,081	\$ 172,771,691
Operating grants and contributions	6,857,250	6,797,593			6,857,250	6,797,593
Capital grants and contributions	23,698,012	34,407,050	2,066,552	5,510,770	25,764,564	39,917,820
General revenues:						
Property taxes	35,000,100	32,917,358			35,000,100	32,917,358
Other taxes	15,705,069	14,778,958			15,705,069	14,778,958
Grants and contributions not restricted to specific programs	7,805,835	7,166,725	480,253	9,796	8,286,088	7,176,521
Other	<u>11,252,697</u>	<u>6,739,245</u>	<u>5,896,820</u>	<u>4,971,134</u>	<u>17,149,517</u>	<u>11,710,379</u>
Total revenues	<u>115,534,285</u>	<u>117,617,456</u>	<u>194,386,384</u>	<u>168,452,864</u>	<u>309,920,669</u>	<u>286,070,320</u>
Expenses:						
General government	6,878,399	6,487,386			6,878,399	6,487,386
Public safety	33,168,820	31,767,951			33,168,820	31,767,951
Public works	18,210,209	14,268,684			18,210,209	14,268,684
Airport	5,432,334	4,387,112			5,432,334	4,387,112
Transit	3,500,207	3,270,811			3,500,207	3,270,811
Culture	7,023,517	6,611,227			7,023,517	6,611,227
Park and recreation	13,505,054	14,034,860			13,505,054	14,034,860
Economic development/tourism	8,367,880	3,834,472			8,367,880	3,834,472
Community reinvestment/unallocated	350,641	4,708,895			350,641	4,708,895
Interest on long-term debt	747,424	988,639			747,424	988,639
Parking			3,327,342	3,088,091	3,327,342	3,088,091
Electric			138,769,304	117,966,938	138,769,304	117,966,938
Water			6,921,476	6,765,775	6,921,476	6,765,775
Sewer			16,546,960	14,313,983	16,546,960	14,313,983
Storm water			2,809,129	3,031,398	2,809,129	3,031,398
Total expenses	<u>97,184,485</u>	<u>90,360,037</u>	<u>168,374,211</u>	<u>145,166,185</u>	<u>265,558,696</u>	<u>235,526,222</u>
Increase in net assets before transfers	18,349,800	27,257,419	26,012,173	23,286,679	44,361,973	50,544,098
Transfers	<u>1,830,010</u>	<u>10,414,727</u>	<u>(1,830,010)</u>	<u>(10,414,727)</u>		
Increase in net assets	20,179,810	37,672,146	24,182,163	12,871,952	44,361,973	50,544,098
Net assets, beginning of year	<u>580,207,586</u>	<u>542,535,440</u>	<u>374,899,859</u>	<u>362,027,907</u>	<u>955,107,445</u>	<u>904,563,347</u>
Net assets, end of year	<u>\$ 600,387,396</u>	<u>\$ 580,207,586</u>	<u>\$ 399,082,022</u>	<u>\$ 374,899,859</u>	<u>\$ 999,469,418</u>	<u>\$ 955,107,445</u>

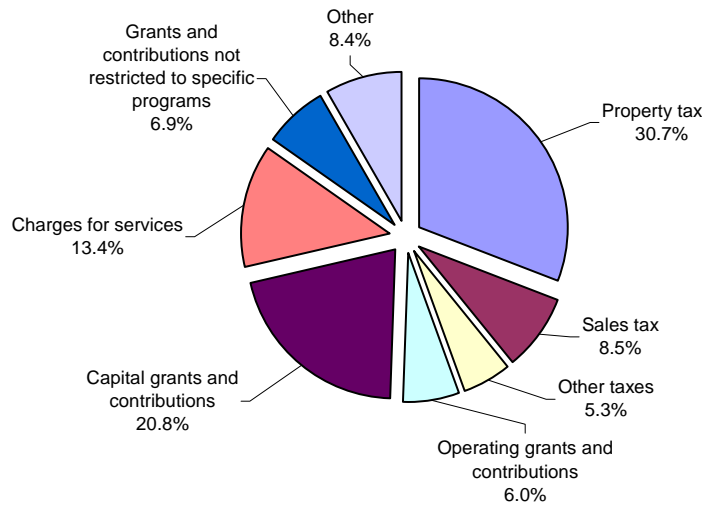
## CITY OF ROCHESTER, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Expenses and Program Revenues - Governmental Activities



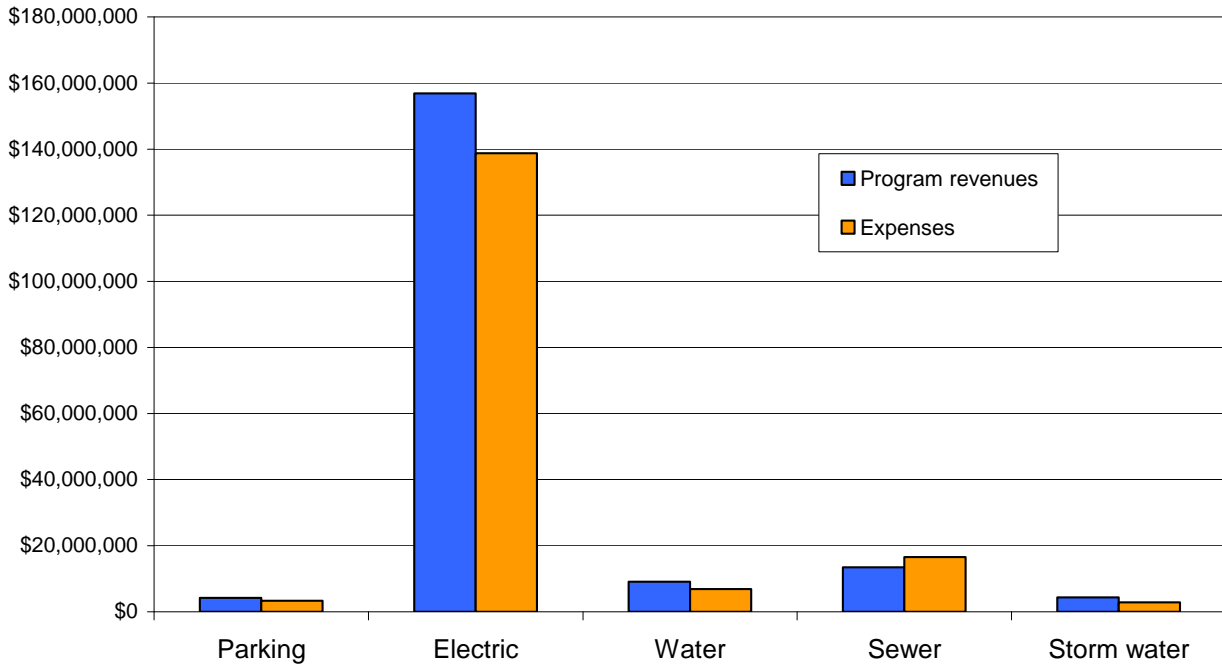
### Revenues by Source - Governmental Activities



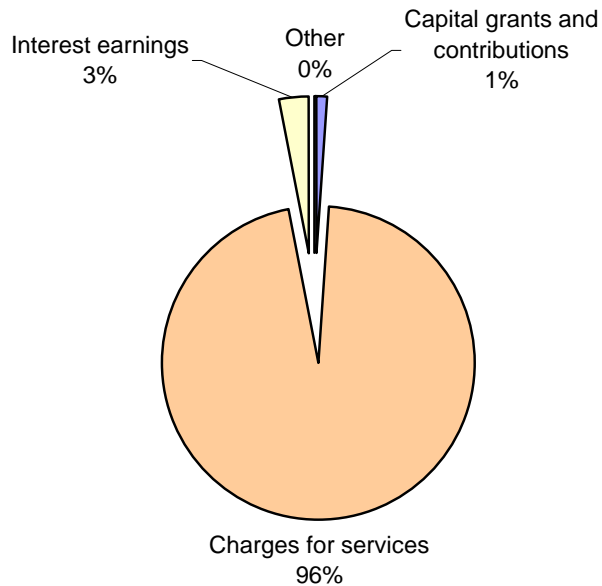
**CITY OF ROCHESTER, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



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

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Rochester's governmental funds reported combined ending fund balances of \$115,704,437, an increase of \$24,390,193 from the prior year primarily the contribution of the Art Center facility to the City as well as positive operations for the year. Approximately 70 percent of the total fund balance, or \$82,140,721, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed. The primary reservations of fund balance are 1) to liquidate contracts and purchase orders of the prior period (\$5,334,741), 2) to repay interfund advances or other debt (\$1,727,000), or 3) to fund specific capital projects or programs as obligated by statute or other regulation (\$26,440,036).

The general fund is the chief operating fund of the City of Rochester. At the end of the current fiscal year, unreserved fund balance of the general fund was \$21,191,433 while total fund balance amounted to \$21,713,981. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

The general fund increased its fund balance by \$2,386,078 during the year which reflects higher than anticipated revenues, primarily investment returns, as well as lower than anticipated expenditures in the police and engineering divisions. Police experienced savings in employee services due to attrition and some delays in filling open positions, while engineering charges to capital projects for employee services exceeded the budgeted amount due to increased project activity.

The library fund increased its fund balance by \$83,758 for the year after transferring \$21,505 to the capital projects fund for future equipment purchases. The municipal recreation fund increased its fund balance by \$134,612 despite reduced golf revenues this year as it received a transfer from the general fund in recognition of extraordinary expenses for Eastwood Golf Course construction and storm damage repairs. The airport fund increased its total fund balance by \$853,248 for the year to \$4,602,249. This increase was a result of increased air passenger traffic and continued strong cargo shipments. The transit fund saw a decrease in fund balance of \$200,385 after balanced operations, but reflecting a reserve transfer to fund the local share of new buses.

Debt service fund balances increased by \$717,362 this year reflecting reserves held for payments on the Energy Improvement Loan as well as reserves for payment on the new Bioscience Building bonds.

The construction improvement fund increased fund balance by \$20.4 million as bond proceeds were transferred in from other funds to begin approved projects.

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

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

The unrestricted net assets in the respective proprietary funds are Parking - \$13,292,167, Electric - \$33,996,717, Water - \$3,377,128, Sewer - \$17,032,179 and Storm water - \$94,984. All, proprietary funds reported increases in total net assets for the year.

The water utility's rates were increased 5 percent in January of 2007 as the utility continued to spend cash on maintenance and repair of existing water lines as well as expansion to meet new development demand.

The sewer utility's rates were adjusted 8.5 percent effective January of 2007 and another 8.5 percent in 2008 based upon an update to the service costing study completed during 2005. In addition, the new "plant investment fee" instituted in 2005 was increased from \$1,500 per residential equivalent in 2007 to \$2,000 in 2008. These monies will help to pay debt service on bonds issued for the recent plant expansion.

The electric utility rates were increased a total of 13.5 percent during 2006 and another 8 percent effective January 2007 as the wholesale cost of purchased power continues to climb.

Parking utility rates were not adjusted during 2007 but did increase a flat \$4 per month for most monthly ramp customer classes effective January of 2008.

The storm water utility rates were held to the same level as the prior year as it completed its second full year of operation. However, based upon a recent rate study, this utility will add a new "customer charge" of \$1.00 to each monthly bill. This charge is slated to increase to \$3.00 per month by the year 2010.

### **General Fund Budgetary Highlights**

The City approved the 2007 general fund budget anticipating a "balanced budget" or slight growth in fund balance.

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

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

At the close of the year, general fund total expenditures were \$2,490,597 below final budget while actual revenues surpassed the final budget by \$1,146,486. Much of the lower expenses can be traced to a delay in hiring of approved positions in police, greater charge-back of engineering costs to projects, and remaining contingency budget. The higher than expected revenues are primarily the result of higher than expected lodging tax revenue and returns on investment activities.

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

**Capital Asset and Debt Administration**

**Capital assets.** The City of Rochester's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$974,225,647 (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 \$47,342,538, or 5 percent. Most of this increase within the governmental activities can be found in the addition of four transit buses, street network additions, the Art Center building contribution, and the addition of Fire Station 5. Within the business-type activities the most significant increases occurred with the expansion of the wastewater treatment plant and the underground mains and lift station work as well as new distribution and transmission facilities in the electric utility.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 50,967,192	\$ 49,256,745	\$ 12,610,541	\$ 8,411,780	\$ 63,577,733	\$ 57,668,525
Buildings	78,653,931	71,362,668	210,681,407	170,385,066	289,335,338	241,747,734
Improvements other than buildings	23,925,600	24,920,896			23,925,600	24,920,896
Machinery and equipment	24,615,108	22,588,131	223,224,179	187,532,463	247,839,287	210,120,594
Infrastructure	243,309,284	243,330,659			243,309,284	243,330,659
Construction in progress	<u>48,618,574</u>	<u>64,062,344</u>	<u>57,619,831</u>	<u>85,032,357</u>	<u>106,238,405</u>	<u>149,094,701</u>
Total	<u>\$ 470,089,689</u>	<u>\$ 475,521,443</u>	<u>\$ 504,135,958</u>	<u>\$ 451,361,666</u>	<u>\$ 974,225,647</u>	<u>\$ 926,883,109</u>

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

**Long-term debt.** At the end of the current fiscal year, the City of Rochester had \$249,378,291 in bonds and notes outstanding. Of this amount, \$140,448,511 comprises debt backed by the full faith and credit of the government, \$103,034,833 represents bonds secured solely by specified revenue sources and \$5,231,244 represents an energy loan payable through savings in costs from energy improvements. The City provides general obligation backing to the sewer utility bonds even though utility charges are the source of bond repayment.

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

**City of Rochester's Outstanding Debt**

General Obligation and Revenue Bonds, Notes Payable and Capital Lease

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 2,378,511	\$ 2,465,264	\$	\$	\$ 2,378,511	\$ 2,465,264
General obligation revenue bonds		7,275,130	136,105,000	87,920,000	136,105,000	95,195,130
General obligation revenue notes	1,965,000	2,078,000			1,965,000	2,078,000
Revenue bonds	9,900,000		86,980,000	42,375,000	96,880,000	42,375,000
Notes payable	374,833	458,762	5,780,000	6,560,000	6,154,833	7,018,762
Energy loan payable	5,231,244	5,715,795			5,231,244	5,715,795
Capital Lease			663,703		663,703	
Total	<u>\$ 19,849,588</u>	<u>\$ 17,992,951</u>	<u>\$ 229,528,703</u>	<u>\$ 136,855,000</u>	<u>\$ 249,378,291</u>	<u>\$ 154,847,951</u>

The City of Rochester's total bonds and notes payable increased by \$94,530,340 during the current fiscal year. In March 2007, the City's municipal utility, Rochester Public Utilities (RPU), issued \$76 million in revenue bonds to finance emissions control improvements at the Silver Lake plant, substation work, and the expansion of the transmission and distribution system, as well as refund the 2000 revenue bonds at a lower interest rate.

In February and May, 2007 the City also issued \$50,380,000 in general obligation bonds to finance sewer infrastructure improvements.

In December of 2007, the City's Economic Development Authority, a blended component unit, issued \$9.9 million in lease revenue bonds to fund the initial phase of construction of the Bioscience Building in downtown Rochester.

Principal reductions occurred as a result of scheduled debt service payments on existing debt. A more detailed breakdown of these obligations can be found in Note 3:G., beginning on page 55.

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

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Rochester ended the first quarter of 2007 at 4.6 percent, up just slightly from 4.3 percent a year ago. This compares favorably to the state and national average unemployment rate of 5.4 and 5.2 percent respectively. Total number of jobs continued their fourteen-year trend of growth with this year's number up 1.85 percent over last year to 106,573.

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

- Rochester continues to see new construction growth. Though residential construction has slowed following the national trend, Rochester commercial construction has continued to expand. New construction caused the City's total market valuation to increase by 3.0 percent, or over \$236 million for taxes payable in 2008.
- Property tax reforms at the state level continue to impact government aid payments made to the City. Rochester has sustained state aid reductions of nearly \$4.4 million, or 41 percent, since 2002 when the City received \$10.7 million annually. Most recent legislation has slightly reversed this downward trend, however this issue remains a concern for the City.
- The establishment of a University of Minnesota presence in the downtown is providing impetus for new development activity and service demands in this area.
- The Rochester Economic Development Authority's construction of a 9-story bioscience building with significant portions already leased to medical and related technology companies.
- Interest rates have increased in 2007, helping to increase average earnings of the City's investment portfolio.

All of these factors were considered in preparing the City of Rochester's budget for the 2008 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City's tax levy was increased for pay 2008 in expectation that state aid will continue to dwindle while the City continues its growth trends and resulting demands for service.

### **Other Matters**

Government Accounting Standards Board Opinion No. 45 (GASB 45) "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" is effective for the City in 2007 and required the City to calculate the implicit rate subsidy provided to retirees participating in the City's group health plan. The implicit rate subsidy resulted in the recording of a liability for post retirement benefits and is the result of the City allowing retirees to participate in the City's group health plan as required by law. More information about this liability can be found beginning on page 61 of the notes to the financial statements.

### **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 4<sup>th</sup> Street SE, Room 204, Rochester, MN 55904.

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**CITY OF ROCHESTER, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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**CITY OF ROCHESTER, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
December 31, 2007  
With Comparative Totals as of December 31, 2006

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,403,481	\$ 27,266,022	\$ 36,669,503	\$ 31,586,295
Investments	135,090,604	32,070,000	167,160,604	127,724,527
Receivables (net of allowance for uncollectibles)	24,682,974	10,888,091	35,571,065	35,650,916
Internal balances	(362,985)	362,985		
Due from other governmental units	8,099,923	494,255	8,594,178	5,276,314
Accrued utility revenues		3,777,452	3,777,452	3,175,803
Restricted cash and investments	39,466	58,478,811	58,518,277	13,410,615
Restricted assets		2,132,585	2,132,585	1,944,564
Inventory	130,831	12,843,179	12,974,010	9,569,295
Prepaid items	22,473	96,827	119,300	87,971
Deferred charges and other assets		1,655,567	1,655,567	1,483,420
Capital assets:				
Nondepreciable	99,585,766	70,230,372	169,816,138	206,763,226
Depreciable, net	370,503,923	433,905,586	804,409,509	720,119,883
Total Assets	<u>647,196,456</u>	<u>654,201,732</u>	<u>1,301,398,188</u>	<u>1,156,792,829</u>
<b>LIABILITIES</b>				
Accounts and contracts payable	4,101,677	11,673,529	15,775,206	16,740,818
Deposits payable	1,085,191	647,408	1,732,599	2,049,195
Accrued interest payable	110,336	2,143,912	2,254,248	2,028,185
Accrued compensation and payroll taxes	1,555,610	601,914	2,157,524	2,218,351
Accrued claims	2,349,640	99,000	2,448,640	2,376,937
Due to other governmental units	9,370,332	503,399	9,873,731	5,035,114
Unearned revenue		1,194,496	1,194,496	1,026,055
Noncurrent liabilities:				
Due within one year	5,451,705	6,200,930	11,652,635	10,760,401
Due in more than one year	22,784,569	232,055,122	254,839,691	159,450,328
Total Liabilities	<u>46,809,060</u>	<u>255,119,710</u>	<u>301,928,770</u>	<u>201,685,384</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	450,288,207	327,640,171	777,928,378	779,314,928
Restricted for:				
Airport	6,905,797		6,905,797	4,564,777
CDBG loans	3,050,496		3,050,496	2,899,737
Civic music endowment	39,466		39,466	37,034
Service territory acquisitions		2,132,585	2,132,585	1,944,564
Construction fund				1,522,809
Flood control	22,898,746		22,898,746	21,641,027
Sales tax authorized projects	1,237,742		1,237,742	6,176,212
Unrestricted	115,966,942	69,309,266	185,276,208	137,006,357
Total Net Assets	<u>\$ 600,387,396</u>	<u>\$ 399,082,022</u>	<u>\$ 999,469,418</u>	<u>\$ 955,107,445</u>

See Notes to the Financial Statements

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

For the Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
Governmental activities:				
General government	\$ 6,878,399	\$ 475,122	\$ 28,026	\$ 31,051
Public safety	33,168,820	5,276,766	1,934,210	670,373
Public works	18,210,209	266,410	63,391	6,319,955
Airport	5,432,334	2,936,705	303,434	4,260,165
Transit	3,500,207	185,476	2,668,900	958,356
Culture	7,023,517	359,394	1,393,790	7,323,946
Park and recreation	13,505,054	5,664,465	465,499	513,054
Economic development/tourism	8,367,880	50,984		3,621,112
Community reinvestment/unallocated	350,641			
Interest on long-term debt	747,424			
Total governmental activities	<u>97,184,485</u>	<u>15,215,322</u>	<u>6,857,250</u>	<u>23,698,012</u>
Business-Type activities:				
Parking	3,327,342	4,191,797		
Electric utility	138,769,304	156,772,451		134,680
Water utility	6,921,476	8,273,714		858,279
Sewer utility	16,546,960	13,234,276		195,087
Storm water utility	2,809,129	3,470,521		878,506
Total business-type activities	<u>168,374,211</u>	<u>185,942,759</u>		<u>2,066,552</u>
Total	<u>\$ 265,558,696</u>	<u>\$ 201,158,081</u>	<u>\$ 6,857,250</u>	<u>\$ 25,764,564</u>
General revenues:				
General property taxes				
Tax increments collection				
Sales tax				
Nonproperty taxes				
Grants and contributions not restricted to specific programs				
Interest earnings				
Gain on disposition of property				
Net increase in the fair value of investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Notes to the Financial Statements

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2007	2006
\$ (6,344,200)		\$ (6,344,200)	\$ (5,996,874)
(25,287,471)		(25,287,471)	(23,981,319)
(11,560,453)		(11,560,453)	11,133,922
2,067,970		2,067,970	2,141,214
312,525		312,525	(499,124)
2,053,613		2,053,613	(4,877,383)
(6,862,036)		(6,862,036)	(3,696,068)
(4,695,784)		(4,695,784)	(2,871,701)
(350,641)		(350,641)	(4,708,895)
(747,424)		(747,424)	(988,639)
<u>(51,413,901)</u>		<u>(51,413,901)</u>	<u>(34,344,867)</u>
	\$ 864,455	864,455	788,012
	18,137,827	18,137,827	12,756,431
	2,210,517	2,210,517	2,927,956
	(3,117,597)	(3,117,597)	(516,145)
	<u>1,539,898</u>	<u>1,539,898</u>	<u>2,349,495</u>
	19,635,100	19,635,100	18,305,749
<u>(51,413,901)</u>	<u>19,635,100</u>	<u>(31,778,801)</u>	<u>(16,039,118)</u>
35,000,100		35,000,100	32,917,358
1,299,451		1,299,451	1,191,508
9,720,049		9,720,049	9,196,080
4,685,569		4,685,569	4,391,370
7,805,835	480,253	8,286,088	7,176,521
6,680,418	5,692,584	12,373,002	8,915,768
1,719,959		1,719,959	108,549
2,719,499	819,635	3,539,134	1,209,685
132,821	(615,399)	(482,578)	1,476,377
1,830,010	(1,830,010)		
<u>71,593,711</u>	<u>4,547,063</u>	<u>76,140,774</u>	<u>66,583,216</u>
20,179,810	24,182,163	44,361,973	50,544,098
<u>580,207,586</u>	<u>374,899,859</u>	<u>955,107,445</u>	<u>904,563,347</u>
<u>\$ 600,387,396</u>	<u>\$ 399,082,022</u>	<u>\$ 999,469,418</u>	<u>\$ 955,107,445</u>

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**CITY OF ROCHESTER, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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

December 31, 2007

With Comparative Totals as of December 31, 2006

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2007	2006
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,607,611	\$ 5,152,744	\$ 457,793	\$ 8,218,148	\$ 12,900,206
Investments	18,739,741	82,243,563	8,603,300	109,586,604	78,515,847
Accrued interest receivable	595,337	792,800	85,700	1,473,837	936,416
Accounts receivable (net of allowance for uncollectibles)	406,080	837,678	1,484,661	2,728,419	4,439,650
Loans receivable		1,829,373	3,050,496	4,879,869	4,850,125
Taxes receivable delinquent	316,064	77,392	156,214	549,670	435,164
Special assessments receivable:					
Deferred		14,088,925		14,088,925	14,090,807
Delinquent	1,216	607,591	925	609,732	310,882
Utility connection charges receivable:					
Deferred		70,100		70,100	73,375
Due from other funds	1,381,555	208,986	67,830	1,658,371	1,797,008
Due from other governmental units	1,104,691	6,354,330	640,902	8,099,923	5,271,012
Advances to other funds		902,169		902,169	1,100,952
Prepaid items	11,333		11,140	22,473	19,018
Restricted cash	39,466			39,466	37,034
Inventory	130,831			130,831	100,356
<b>TOTAL ASSETS</b>	<b>\$ 25,333,925</b>	<b>\$ 113,165,651</b>	<b>\$ 14,558,961</b>	<b>\$ 153,058,537</b>	<b>\$ 124,877,852</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts and contracts payable	\$ 797,993	\$ 2,153,335	\$ 999,015	\$ 3,950,343	\$ 4,552,328
Deposits payable	767,211	4,300	125,332	896,843	1,162,046
Accrued compensation and payroll taxes	1,193,336		347,399	1,540,735	1,701,308
Due to other funds	323,941	34	181,290	505,265	660,041
Due to other governmental units	220,182	8,966,685	173,581	9,360,448	4,626,582
Advances from other funds			902,169	902,169	1,100,952
Deferred revenue	317,281	16,673,381	3,207,635	20,198,297	19,760,351
<b>Total Liabilities</b>	<b>3,619,944</b>	<b>27,797,735</b>	<b>5,936,421</b>	<b>37,354,100</b>	<b>33,563,608</b>
Fund Balance:					
Reserved for:					
Restricted assets	39,466			39,466	37,034
Prepaid items	11,333		11,140	22,473	19,018
Debt service			824,831	824,831	107,469
Interfund advances		902,169		902,169	1,100,952
Encumbrances	471,749	4,828,524	34,468	5,334,741	13,866,114
Airport		2,303,548		2,303,548	815,776
Flood control		22,898,746		22,898,746	21,641,027
Sales tax authorized projects		1,237,742		1,237,742	6,176,212
Unreserved, designated, reported in:					
General fund	6,998,302			6,998,302	6,590,001
Special revenue funds			1,803,585	1,803,585	1,820,752
Unreserved, undesignated, reported in:					
General fund	14,193,131			14,193,131	12,459,669
Capital projects fund		53,197,187		53,197,187	21,619,691
Special revenue funds			5,948,516	5,948,516	5,060,529
<b>Total Fund Balance</b>	<b>21,713,981</b>	<b>85,367,916</b>	<b>8,622,540</b>	<b>115,704,437</b>	<b>91,314,244</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 25,333,925</b>	<b>\$ 113,165,651</b>	<b>\$ 14,558,961</b>	<b>\$ 153,058,537</b>	<b>\$ 124,877,852</b>

See Notes to the Financial Statements

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

December 31, 2007

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

Total governmental fund balances (page 19)		\$ 115,704,437
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 626,373,676	
Less: Accumulated depreciation	<u>(166,212,842)</u>	460,160,834
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 1,159,403	
Deferred special assessments and utility connection agreements	14,159,025	
Loans receivable	<u>4,879,869</u>	20,198,297
Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		32,363,156
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	\$ (19,849,588)	
Compensated absences	(8,127,510)	
Accrued interest	(110,336)	
Unamortized bond issuance costs	<u>48,106</u>	<u>(28,039,328)</u>
Net assets of governmental activities (page 16)		<u><u>\$ 600,387,396</u></u>

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

For the Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	General	Construction Improvement	Other Governmental Funds	Total Governmental Funds	
				2007	2006
<b>REVENUES</b>					
General property taxes	\$ 20,375,629	\$ 4,593,457	\$ 9,916,505	\$ 34,885,591	\$ 32,747,658
Tax increments collections		1,078,285	221,166	1,299,451	1,191,508
Sales tax		1,826,822	7,893,227	9,720,049	9,196,080
Special assessments		1,872,185		1,872,185	2,837,271
Utility connection and availability		174,075		174,075	3,157,467
Nonproperty taxes	4,685,569			4,685,569	4,391,370
Licenses and permits	2,810,859			2,810,859	3,289,288
Fines and forfeits	513,192			513,192	427,241
Intergovernmental revenues	9,625,794	10,122,997	4,993,402	24,742,193	22,573,306
Charges for services	2,954,890	636,295	8,936,381	12,527,566	11,682,523
Contributions in aid of construction		1,227,075		1,227,075	4,833,843
Interest earnings	989,856	4,329,221	308,511	5,627,588	4,827,415
Net increase in the fair value of investments	399,912	1,593,500	189,687	2,183,099	730,848
Miscellaneous revenues	209,953	2,467,650	495,640	3,173,243	1,167,761
<b>Total Revenues</b>	<b>42,565,654</b>	<b>29,921,562</b>	<b>32,954,519</b>	<b>105,441,735</b>	<b>103,053,579</b>
<b>EXPENDITURES</b>					
Current:					
General government	6,368,922			6,368,922	5,964,505
Public safety	31,302,243		48,016	31,350,259	29,955,158
Public works	9,120,258			9,120,258	7,682,125
Airport operations			3,105,049	3,105,049	2,734,471
Transit			2,828,406	2,828,406	2,649,879
Culture	1,047,402		5,611,164	6,658,566	6,390,860
Park and recreation			10,929,854	10,929,854	10,357,189
Economic development/tourism	1,827,418		630,184	2,457,602	2,218,788
Community reinvestment and unallocated	352,345			352,345	469,416
Debt service			8,852,035	8,852,035	4,441,995
Capital outlay		18,346,025		18,346,025	58,045,351
<b>Total Expenditures</b>	<b>50,018,588</b>	<b>18,346,025</b>	<b>32,004,708</b>	<b>100,369,321</b>	<b>130,909,737</b>
Excess (deficiency) of revenues over (under) expenditures	(7,452,934)	11,575,537	949,811	5,072,414	(27,856,158)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt			9,900,000	9,900,000	5,979,739
Transfers in	11,033,458	10,979,037	1,421,628	23,434,123	20,006,124
Transfers out	(1,194,446)	(2,112,022)	(10,709,876)	(14,016,344)	(5,066,524)
<b>Total other financing sources (uses)</b>	<b>9,839,012</b>	<b>8,867,015</b>	<b>611,752</b>	<b>19,317,779</b>	<b>20,919,339</b>
<b>Net change in fund balances</b>	<b>2,386,078</b>	<b>20,442,552</b>	<b>1,561,563</b>	<b>24,390,193</b>	<b>(6,936,819)</b>
Fund Balance - beginning	19,327,903	64,925,364	7,060,977	91,314,244	98,251,063
<b>Fund Balance - ending</b>	<b>\$ 21,713,981</b>	<b>\$ 85,367,916</b>	<b>\$ 8,622,540</b>	<b>\$ 115,704,437</b>	<b>\$ 91,314,244</b>

**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, 2007

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

Net change in fund balances - total governmental funds (page 21)	\$	24,390,193
<p>Governmental funds reported capital outlays as expenditures.                  However, in the statement of activities the cost of those assets                  is allocated over their estimated useful lives and reported as                  depreciation expense.</p>		
Capital outlay-construction improvement	\$	18,346,025
Capital outlay-other governmental funds		768,879
Depreciation expense		<u>(14,343,329)</u>
		4,771,575
Infrastructure contributed from governmental activities to business-type activities reduces governmental net assets but does not effect fund balance.		(7,757,882)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(3,504,683)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, December 31, 2007	\$	20,198,297
Deferred revenue, December 31, 2006		<u>(19,760,351)</u>
		437,946
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2007	\$	(8,127,510)
Compensated absences, December 31, 2006		<u>7,773,947</u>
		(353,563)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$	8,043,363
Issuance of debt		(9,900,000)
Change in accrued interest		25,258
Bond issuance costs incurred		36,976
Amortization of bond issuance costs		<u>(986)</u>
		(1,795,389)
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>3,991,613</u>
Change in net assets of governmental activities (pages 17 and 18)	\$	<u><u>20,179,810</u></u>

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

For the Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
General property taxes	\$21,865,599	\$ 20,569,747	\$20,375,629	\$ (194,118)	\$19,161,492
Nonproperty taxes	4,100,000	4,398,116	4,685,569	287,453	4,391,370
Licenses and permits	2,839,510	2,839,510	2,810,859	(28,651)	3,289,288
Fines and forfeits	408,000	465,912	513,192	47,280	427,241
Intergovernmental	8,079,496	9,457,721	9,625,794	168,073	9,059,360
Charges for services	2,820,649	2,932,198	2,954,890	22,692	2,920,504
Interest earnings	588,875	588,873	989,856	400,983	691,808
Net increase in the fair value of investments			399,912	399,912	167,249
Miscellaneous	150,800	167,091	209,953	42,862	238,354
Total Revenues	<u>40,852,929</u>	<u>41,419,168</u>	<u>42,565,654</u>	<u>1,146,486</u>	<u>40,346,666</u>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Mayor and Council	710,104	815,404	749,146	66,258	671,589
City Administrator	536,463	539,266	532,903	6,363	514,796
Development District Administration	137,430	137,430	131,695	5,735	129,053
City Clerk	274,741	275,400	282,709	(7,309)	264,628
Elections and Voter Registration	12,176	12,176	11,049	1,127	114,673
Finance Department	1,124,741	1,125,237	1,112,255	12,982	1,063,806
Information Systems	1,044,215	1,047,968	990,002	57,966	903,929
City Attorney	1,043,718	1,232,004	1,242,720	(10,716)	1,133,985
Human Resources	894,248	904,833	854,378	50,455	730,286
Planning and Zoning	35,950	38,450	14,665	23,785	25,211
City Hall Maintenance	375,621	450,343	447,400	2,943	412,549
Total General Government	<u>6,189,407</u>	<u>6,578,511</u>	<u>6,368,922</u>	<u>209,589</u>	<u>5,964,505</u>
Public Safety:					
Police Department	17,054,717	17,201,341	16,407,146	794,195	15,221,992
Fire Department	11,276,891	11,292,194	11,238,369	53,825	11,149,061
Fire Hazmat Response Team	22,500	69,513	69,850	(337)	60,425
Building Safety	2,587,935	2,644,560	2,569,638	74,922	2,466,199
Animal Control	345,557	348,974	304,563	44,411	270,288
Drug Enforcement Administration		69,584	15,212	54,372	19,505
Flood Control	485,577	485,577	486,662	(1,085)	510,821
Emergency Mgmt/Safety Council	210,803	210,803	210,803		215,282
Total Public Safety	<u>31,983,980</u>	<u>32,322,546</u>	<u>31,302,243</u>	<u>1,020,303</u>	<u>29,913,573</u>

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

For the Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>EXPENDITURES (continued)</b>					
Current:					
Public Works:					
Engineering	\$ 2,892,170	\$ 2,901,899	\$ 2,210,517	\$ 691,382	\$ 2,027,103
Traffic Engineer	1,106,426	1,112,694	1,110,355	2,339	1,013,080
Street and Alley	4,637,860	4,639,869	4,752,444	(112,575)	3,621,820
City Lighting	1,111,400	1,111,400	1,046,942	64,458	1,020,122
Total Public Works	<u>9,747,856</u>	<u>9,765,862</u>	<u>9,120,258</u>	<u>645,604</u>	<u>7,682,125</u>
Culture:					
Art Center/Theatre	304,080	304,080	300,033	4,047	267,772
Music Department	705,000	789,464	747,369	42,095	758,357
Total Culture	<u>1,009,080</u>	<u>1,093,544</u>	<u>1,047,402</u>	<u>46,142</u>	<u>1,026,129</u>
Economic Development/Tourism	<u>1,495,000</u>	<u>2,081,467</u>	<u>1,827,418</u>	<u>254,049</u>	<u>1,687,862</u>
Community Reinvestment and Unallocated	<u>821,255</u>	<u>667,255</u>	<u>352,345</u>	<u>314,910</u>	<u>469,416</u>
Total Expenditures	<u>51,246,578</u>	<u>52,509,185</u>	<u>50,018,588</u>	<u>2,490,597</u>	<u>46,743,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,393,649)</u>	<u>(11,090,017)</u>	<u>(7,452,934)</u>	<u>3,637,083</u>	<u>(6,396,944)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	10,448,976	10,612,876	11,033,458	420,582	10,219,591
Transfers out	(773,199)	(773,199)	(1,194,446)	(421,247)	(3,265,037)
Total other financing sources (uses)	<u>9,675,777</u>	<u>9,839,677</u>	<u>9,839,012</u>	<u>(665)</u>	<u>6,954,554</u>
Net change in fund balances	<u>(717,872)</u>	<u>(1,250,340)</u>	<u>2,386,078</u>	<u>3,636,418</u>	<u>557,610</u>
Fund Balance - beginning	<u>19,327,903</u>	<u>19,327,903</u>	<u>19,327,903</u>		<u>18,770,293</u>
Fund Balance - ending	<u>\$ 18,610,031</u>	<u>\$ 18,077,563</u>	<u>\$ 21,713,981</u>	<u>\$ 3,636,418</u>	<u>\$ 19,327,903</u>

**CITY OF ROCHESTER, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

December 31, 2007

With Comparative Totals as of December 31, 2006

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 273,128	\$ 22,991,217	\$ 3,843,521
Investments	13,235,500		
Accrued interest receivable	132,000	18,522	
Accounts receivable	35,751	9,825,822	395,203
Accrued utility revenues		3,777,452	
Inventory, material, supplies and fuel		12,698,193	128,082
Due from other funds			
Due from other governmental units	233		
Prepaid items		76,827	
Restricted assets		2,132,585	
Restricted cash		36,184,899	
Other assets			
Total Current Assets	<u>13,676,612</u>	<u>87,705,517</u>	<u>4,366,806</u>
Noncurrent Assets:			
Capital assets:			
Nondepreciable	7,667,950	25,193,895	3,094,566
Depreciable	27,928,944	223,087,045	103,697,001
Less: Accumulated depreciation	(13,958,342)	(94,099,873)	(26,178,177)
Net capital assets	<u>21,638,552</u>	<u>154,181,067</u>	<u>80,613,390</u>
Deferred charges and other assets		1,534,228	18,365
Total Noncurrent Assets	<u>21,638,552</u>	<u>155,715,295</u>	<u>80,631,755</u>
Total Assets	<u>35,315,164</u>	<u>243,420,812</u>	<u>84,998,561</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts and contracts payable	238,930	10,455,357	155,678
Deposits payable	16,584	480,369	5,845
Accrued interest payable		330,324	
Accrued compensation and payroll taxes	7,960	438,208	46,778
Accrued compensated absences	22,607	1,231,957	163,891
Due to other funds	1,630	1,395,126	231,481
Due to other governmental units	55,631	439,785	3,710
Accrued claims			
Unearned revenue		38,005	242,462
Bonds and capital lease payable		2,378,149	370,000
Other liabilities			
Total Current Liabilities	<u>343,342</u>	<u>17,187,280</u>	<u>1,219,845</u>
Noncurrent Liabilities:			
Bonds payable		87,361,424	800,000
Unamortized bond premium		2,803,178	
Obligation under capital lease		450,554	
Accrued compensated absences	41,103	1,206,357	158,198
Accrued claims		99,000	
Post employment benefit obligation			
Unearned lease revenues		811,055	
Total Noncurrent Liabilities	<u>41,103</u>	<u>92,731,568</u>	<u>958,198</u>
Total Liabilities	<u>384,445</u>	<u>109,918,848</u>	<u>2,178,043</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	21,638,552	97,372,662	79,443,390
Restricted for:			
Service territory acquisitions		2,132,585	
Construction fund			
Unrestricted	13,292,167	33,996,717	3,377,128
Total Net Assets	<u>\$ 34,930,719</u>	<u>\$ 133,501,964</u>	<u>\$ 82,820,518</u>

Amounts reported by business-type activities in the statement of net assets (page 16) are different because:

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

Net assets of business-type activities

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2007	2006
		2007	2006		
\$ 158,156	\$	\$ 27,266,022	\$ 18,385,873	\$ 1,185,333	\$ 300,216
18,834,500		32,070,000	27,116,080	25,504,000	22,092,600
226,343		376,865	348,132	254,200	217,100
128,625	125,825	10,511,226	9,949,265	28,222	
		3,777,452	3,175,803		
16,904		12,843,179	9,468,939		
924,009	265,988	1,189,997	1,393,486		
23,565	470,457	494,255	5,302		
20,000		96,827	68,815		
		2,132,585	1,944,564		
22,293,912		58,478,811	13,373,581		
			138		
<u>42,626,014</u>	<u>862,270</u>	<u>149,237,219</u>	<u>85,229,978</u>	<u>26,971,755</u>	<u>22,609,916</u>
29,942,166	4,331,795	70,230,372	93,444,137		
259,005,781	38,280,933	651,999,704	563,753,535	22,468,767	20,450,202
(80,613,025)	(3,244,701)	(218,094,118)	(205,836,006)	(12,539,912)	(11,580,583)
<u>208,334,922</u>	<u>39,368,027</u>	<u>504,135,958</u>	<u>451,361,666</u>	<u>9,928,855</u>	<u>8,869,619</u>
102,974		1,655,567	1,483,420		
<u>208,437,896</u>	<u>39,368,027</u>	<u>505,791,525</u>	<u>452,845,086</u>	<u>9,928,855</u>	<u>8,869,619</u>
<u>251,063,910</u>	<u>40,230,297</u>	<u>655,028,744</u>	<u>538,075,064</u>	<u>36,900,610</u>	<u>31,479,535</u>
655,506	168,058	11,673,529	12,174,147	151,334	11,527
144,610		647,408	646,216	188,348	240,933
1,813,588		2,143,912	1,892,591		
94,373	14,595	601,914	502,993	14,875	14,050
201,807	17,519	1,637,781	1,433,921		
155,560	559,306	2,343,103	2,530,453		
4,112	161	503,399	397,952	9,884	10,580
				1,368,888	1,307,530
102,974		383,441	178,580		
1,815,000		4,563,149	3,965,000		
			2,816		
<u>4,987,530</u>	<u>759,639</u>	<u>24,497,636</u>	<u>23,724,669</u>	<u>1,733,329</u>	<u>1,584,620</u>
134,290,000		222,451,424	132,890,000		
4,706,294		7,509,472	4,563,783		
		450,554			
230,367	7,647	1,643,672	1,603,243	980,752	959,407
		99,000	110,000	307,282	
		811,055	847,475		
<u>139,226,661</u>	<u>7,647</u>	<u>232,965,177</u>	<u>140,014,501</u>	<u>1,288,034</u>	<u>959,407</u>
<u>144,214,191</u>	<u>767,286</u>	<u>257,462,813</u>	<u>163,739,170</u>	<u>3,021,363</u>	<u>2,544,027</u>
89,817,540	39,368,027	327,640,171	321,774,320	9,928,855	8,869,619
		2,132,585	1,944,564		
			1,522,809		
17,032,179	94,984	67,793,175	49,094,201	23,950,392	20,065,889
<u>\$ 106,849,719</u>	<u>\$ 39,463,011</u>	<u>397,565,931</u>	<u>374,335,894</u>	<u>\$ 33,879,247</u>	<u>\$ 28,935,508</u>
		1,516,091	563,965		
		<u>\$ 399,082,022</u>	<u>\$ 374,899,859</u>		

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

For the Year Ended December 31, 2007  
With Comparative Totals for the Year Ended December 31, 2006

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Revenues:			
Sales and charges for services	\$ 4,191,797	\$	\$
Sales and charges for services, pledged as security for revenue bonds		150,727,255	7,651,897
Miscellaneous		6,045,196	621,817
Total Operating Revenues	<u>4,191,797</u>	<u>156,772,451</u>	<u>8,273,714</u>
Operating Expenses:			
Purchased power		79,982,503	
Maintenance and operations	2,507,241	49,487,609	4,843,992
Depreciation	837,007	6,486,443	2,093,625
Total Operating Expenses	<u>3,344,248</u>	<u>135,956,555</u>	<u>6,937,617</u>
Operating Income	<u>847,549</u>	<u>20,815,896</u>	<u>1,336,097</u>
Nonoperating Revenues (Expenses):			
Intergovernmental revenues	577		
Interest earnings	529,135	3,241,256	130,380
Net increase in the fair value of investments	277,800		
Interest and fiscal charges		(3,499,246)	(70,296)
Gain (loss) on disposal of property			
Other income (expense)	1,695	241,634	(40,995)
Total Nonoperating Revenues (Expenses)	<u>809,207</u>	<u>(16,356)</u>	<u>19,089</u>
Income (Loss) Before Transfers and Contributions	1,656,756	20,799,540	1,355,186
Capital contributions	3,200,000	134,680	1,285,171
Transfers in			
Transfers out	<u>(332,428)</u>	<u>(8,525,577)</u>	<u>(386,029)</u>
Change in net assets	4,524,328	12,408,643	2,254,328
Net Assets - Beginning of Year	<u>30,406,391</u>	<u>121,093,321</u>	<u>80,566,190</u>
Net Assets - End of Year	<u>\$ 34,930,719</u>	<u>\$ 133,501,964</u>	<u>\$ 82,820,518</u>

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

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

Change in net assets of business-type activities

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2007	2006
		2007	2006		
\$	\$ 3,228,486	\$ 7,420,283	\$ 6,919,383	\$ 15,706,592	\$ 14,620,440
13,109,953		171,489,105	145,972,801		
124,323	242,035	7,033,371	5,068,980		
<u>13,234,276</u>	<u>3,470,521</u>	<u>185,942,759</u>	<u>157,961,164</u>	<u>15,706,592</u>	<u>14,620,440</u>
		79,982,503	68,444,307		
7,305,733	2,071,203	66,215,778	57,035,223	10,803,454	9,792,887
5,192,618	735,704	15,345,397	14,258,456	1,893,266	1,750,234
<u>12,498,351</u>	<u>2,806,907</u>	<u>161,543,678</u>	<u>139,737,986</u>	<u>12,696,720</u>	<u>11,543,121</u>
<u>735,925</u>	<u>663,614</u>	<u>24,399,081</u>	<u>18,223,178</u>	<u>3,009,872</u>	<u>3,077,319</u>
9,219	470,457	480,253	9,796		
1,791,813		5,692,584	3,292,735	1,052,830	795,618
538,835	3,000	819,635	326,437	536,400	152,400
(4,198,034)	(15,083)	(7,782,659)	(6,372,215)		
(1,014,682)		(1,014,682)	3,250	91,444	76,049
147,668	49,281	399,283	1,348,712	9,391	1,572
<u>(2,725,181)</u>	<u>507,655</u>	<u>(1,405,586)</u>	<u>(1,391,285)</u>	<u>1,690,065</u>	<u>1,025,639</u>
(1,989,256)	1,171,269	22,993,495	16,831,893	4,699,937	4,102,958
3,306,399	1,898,184	9,824,434	10,137,493	73,689	133,416
228,767	999,960	1,228,727	367,584	245,139	101,850
<u>(819,684)</u>	<u>(752,901)</u>	<u>(10,816,619)</u>	<u>(15,409,034)</u>	<u>(75,026)</u>	
726,226	3,316,512	23,230,037	11,927,936	4,943,739	4,338,224
106,123,493	36,146,499			28,935,508	24,597,284
<u>\$ 106,849,719</u>	<u>\$ 39,463,011</u>			<u>\$ 33,879,247</u>	<u>\$ 28,935,508</u>
		952,126	944,016		
		<u>\$ 24,182,163</u>	<u>\$ 12,871,952</u>		

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

For the Year Ended December 31, 2007  
With Comparative Totals for the Year Ended December 31, 2006

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ 4,169,643	\$ 152,821,009	\$ 8,536,145
Cash received from other City funds	44,462	3,953,909	183,255
Cash received from employees			
Cash paid to employees	(315,431)	(17,080,380)	(1,900,915)
Cash paid to suppliers	(1,983,138)	(117,306,803)	(2,861,520)
Other income	1,695		
Net Cash Provided By Operating Activities	<u>1,917,231</u>	<u>22,387,735</u>	<u>3,956,965</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Intergovernmental revenues	577		
Transfers in			
Transfers out	<u>(332,428)</u>	<u>(8,485,881)</u>	<u>(387,145)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(331,851)</u>	<u>(8,485,881)</u>	<u>(387,145)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Capital contributions		134,680	
Proceeds from the sale of property			
Proceeds from issuance of revenue notes		76,680,000	
Premium on bonds issued		3,511,687	
Principal payments on bonds		(32,500,000)	(355,000)
Interest and fiscal charges		(5,317,286)	
Acquisition of capital assets	<u>(342,284)</u>	<u>(20,338,253)</u>	<u>(2,761,810)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(342,284)</u>	<u>22,170,828</u>	<u>(3,116,810)</u>
<b>Cash Flows From Investing Activities:</b>			
Investment income	509,736	3,243,050	60,083
Payments to service territory escrow		(672,516)	
Net (increase) decrease in investments	<u>(1,500,000)</u>	<u>2,570,534</u>	<u>60,083</u>
Net Cash Provided By (Used In) Invested Activities	<u>(990,264)</u>	<u>2,570,534</u>	<u>60,083</u>
Net Increase (Decrease) in Cash and Cash Equivalents	252,832	38,643,216	513,093
Cash and Cash Equivalents, Beginning of Year	<u>20,296</u>	<u>20,532,900</u>	<u>3,330,428</u>
Cash and Cash Equivalents, End of Year	<u>\$ 273,128</u>	<u>\$ 59,176,116</u>	<u>\$ 3,843,521</u>
<b>Classified As:</b>			
Cash and Cash Equivalents	\$ 273,128	\$ 22,991,217	\$ 3,843,521
Restricted Cash		36,184,899	
Total Cash and Cash Equivalents, End of Year	<u>\$ 273,128</u>	<u>\$ 59,176,116</u>	<u>\$ 3,843,521</u>

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2007	2006
		2007	2006		
\$ 13,277,361	\$ 3,176,430	\$ 181,980,588	\$ 154,683,839	\$ 13,554,016	\$ 12,561,198
45,663	157,802	4,385,091	4,440,572	2,124,354	2,059,242
(2,701,268)	(444,631)	(22,442,625)	(20,741,330)		
(5,861,026)	(1,613,772)	(129,626,259)	(105,560,482)	(10,420,507)	(10,169,409)
147,668	49,281	198,644	132,978	8,191	1,572
<u>4,908,398</u>	<u>1,325,110</u>	<u>34,495,439</u>	<u>32,955,577</u>	<u>5,266,054</u>	<u>4,452,603</u>
9,219	470,457	480,253	9,796		
228,767	999,960	1,228,727	367,584	245,139	101,850
<u>(819,684)</u>	<u>(752,901)</u>	<u>(10,778,039)</u>	<u>(15,389,359)</u>	<u>(75,026)</u>	
<u>(581,698)</u>	<u>717,516</u>	<u>(9,069,059)</u>	<u>(15,011,979)</u>	<u>170,113</u>	<u>101,850</u>
		134,680			
			3,250	98,686	106,557
49,955,000		126,635,000	1,525,000		
		3,511,687			
(1,770,000)		(34,625,000)	(2,900,000)		
(4,316,093)	(8,683)	(9,642,062)	(6,659,974)		
<u>(31,853,852)</u>	<u>(2,939,461)</u>	<u>(58,235,660)</u>	<u>(47,643,105)</u>	<u>(2,790,466)</u>	<u>(2,273,147)</u>
12,015,055	(2,948,144)	27,778,645	(55,674,829)	(2,691,780)	(2,166,590)
1,774,286		5,587,155	3,578,368	1,015,730	694,718
		(672,516)	(1,882,052)		
<u>(3,284,312)</u>	<u>650,027</u>	<u>(4,134,285)</u>	<u>(5,024,943)</u>	<u>(2,875,000)</u>	<u>(3,925,000)</u>
<u>(1,510,026)</u>	<u>650,027</u>	<u>780,354</u>	<u>(3,328,627)</u>	<u>(1,859,270)</u>	<u>(3,230,282)</u>
14,831,729	(255,491)	53,985,379	(41,059,858)	885,117	(842,419)
7,620,339	255,491	31,759,454	72,819,312	300,216	1,142,635
<u>\$ 22,452,068</u>	<u>\$</u>	<u>\$ 85,744,833</u>	<u>\$ 31,759,454</u>	<u>\$ 1,185,333</u>	<u>\$ 300,216</u>
\$ 158,156	\$	\$ 27,266,022	\$ 18,385,873	\$ 1,185,333	\$ 300,216
22,293,912		58,478,811	13,373,581		
<u>\$ 22,452,068</u>	<u>\$</u>	<u>\$ 85,744,833</u>	<u>\$ 31,759,454</u>	<u>\$ 1,185,333</u>	<u>\$ 300,216</u>

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

For the Year Ended December 31, 2007  
 With Comparative Totals for the Year Ended December 31, 2006

Reconciliation of Operating Income to Net Cash  
 Provided By Operating Activities

	Business-Type Activities -		
	Parking Fund	Electric Utility Fund	Water Utility Fund
Operating Income	\$ 847,549	\$ 20,815,896	\$ 1,336,097
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation expense	837,007	6,486,443	2,093,625
Other income (expense)	1,695	(24,583)	
Other		215,748	(34,698)
(Increase) Decrease In:			
Accounts receivable	17,507	(673,373)	282,136
Accrued utility revenues		(649,905)	48,255
Inventory		(3,530,193)	156,112
Due from other funds	61		
Due from other governmental units	113		
Prepaid items			
Other assets		(9,975)	
Increase (Decrease) In:			
Accounts and contracts payable, operations	196,825	(1,064,778)	(58,280)
Deposits payable	4,123	(8,778)	5,845
Accrued expenses and other liabilities	6,997	331,683	22,275
Unearned revenues		(39,235)	101,888
Accrued claims		99,000	
Due to other funds	504		
Due to other governmental units	4,850	439,785	3,710
Net Cash Provided By Operating Activities	\$ 1,917,231	\$ 22,387,735	\$ 3,956,965
Non Cash Transactions:			
Increase in fair value of investments	\$ 277,800	\$	\$
Receipt of contributed property	3,200,000	134,680	1,285,171
Service territory acquisition cost paid from escrow		(484,495)	

Enterprise Funds				Governmental Activities- Internal Service Funds	
Sewer Utility Fund	Storm Water Utility Fund	Totals		2007	2006
		2007	2006		
\$ 735,925	\$ 663,614	\$ 24,399,081	\$ 18,223,178	\$ 3,009,872	\$ 3,077,319
5,192,618	735,704	15,345,397	14,258,456	1,893,266	1,750,234
147,668	49,281	174,061	117,406	8,191	1,572
		181,050	1,386,626		
(126,039)	(112,190)	(611,959)	(660,020)	(28,222)	
		(601,650)	(421,559)		
(159)		(3,374,240)	(1,349,841)		
288,281	(84,853)	203,489	20,953		
(18,609)	(470,457)	(488,953)	5,544		
(20,000)		(20,000)			
138		(9,837)	(19,299)		
(1,208,235)	1,958	(2,132,510)	1,145,044	45,418	4,177
		1,190	80,801	(52,585)	(84,402)
(28,893)	11,148	343,210	64,699	308,107	(4,400)
		62,653	62,013		
		99,000	(13,000)	82,703	(268,059)
(54,885)	531,211	476,830	46,871		
588	(306)	448,627	7,705	(696)	(23,838)
<u>\$ 4,908,398</u>	<u>\$ 1,325,110</u>	<u>\$ 34,495,439</u>	<u>\$ 32,955,577</u>	<u>\$ 5,266,054</u>	<u>\$ 4,452,603</u>
\$ 538,835	\$ 3,000	\$ 819,635	\$ 326,437	\$ 536,400	\$ 152,400
3,306,399	1,898,184	9,824,434	10,137,493	73,689	133,416
		(484,495)	(597,875)		

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**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**CITY OF ROCHESTER, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 1: Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. As of December 31, 2007, the City had one blended component unit, the Economic Development Authority (EDA) Fund which was created to account for development allowable only under specific State statutes. The board of directors of the EDA is comprised of City Council members and the EDA directly provides all of its services to the City. The activities of the EDA are reported as a nonmajor special revenue fund in the Governmental Fund Financial Statements. The accumulation of resources to service outstanding bonds issued by the EDA is reported as a nonmajor debt service fund in the Governmental Fund Financial Statements.

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. As of December 31, 2007, there were no entities that met the requirements to be considered a discretely presented component unit of the City.

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

NOTE 1: Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

1. Deposits and investments (continued)

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

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

2. Receivables and payables

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

2. Receivables and payables (continued)

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

3. Inventory

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

4. Restricted assets

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

5. Capital assets

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

6. Utility connection charges

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

7. Compensated absences benefits

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

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

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

8. Long-term obligations

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

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

NOTE 1: Summary of Significant Accounting Policies (continued)

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

8. Long-term obligations (continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and amortized over the term of the related debt.

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

9. Fund equity

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

E. Comparative Data

The financial statements include certain prior year comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with Generally Accepted Accounting Principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2006 from which the summarized information was derived.

NOTE 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

A. Budgetary Information (continued)

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

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

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

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

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

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

NOTE 3: Detailed Notes on All Funds

A. Deposits and Investments

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

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

Deposits

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

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

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

The City's deposits in banks at December 31, 2007 were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

Investment Policy

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

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

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investment Policy (continued)

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operations. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

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

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

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk (continued)

Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with expected use of funds.

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

<u>Investment Type</u>	<u>December 31, 2007 Amount</u>	<u>Weighted Average Maturity (in years)</u>	<u>Investment Rating as of Year End</u>	
			<u>S&amp;P</u>	<u>MOODY</u>
Commercial Paper	\$ 25,119,920	0.19 - 0.27	A-1+	P1
Guaranteed Investment Contracts	36,184,899	**	Unrated	Unrated
Short-Term Government Trust	20,360,048	0	AAA	Aaa
Municipal Bond	2,378,511	*	Unrated	Unrated
US Government and Agency Securities:				
Federal Farm Credit Bank	42,809,500	2.77	AAA	Aaa
Federal Home Loan Bank	43,515,941	0.97 - 1.6	AAA	Aaa
Federal Home Loan Mortgage Corporation	39,805,510	0.81 - 1.51	AAA	Aaa
Federal National Mortgage Association	<u>26,826,486</u>	1.2 - 1.45	AAA	Aaa
Sub-total Investments	237,000,815			
Cash and Deposits	<u>25,347,569</u>			
Total	<u>\$ 262,348,384</u>			

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

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

Credit Risk

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

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

NOTE 3: Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Short-Term Government Trust	Federal Agency Securities	\$ 20,360,048
Federal Farm Credit Bank	Federal Agency Securities	42,809,500
Federal Home Loan Bank	Federal Agency Securities	43,515,941
Federal Home Loan Mortgage Corporation	Federal Agency Securities	39,805,510
Federal National Mortgage Association	Federal Agency Securities	26,826,486

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, 2007 all investments were insured or registered or the securities were held by the City or its agent in the city's name.

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

Cash and cash equivalents	\$ 36,669,503
Investments	167,160,604
Restricted cash and investments	<u>58,518,277</u>
Total	<u><u>\$ 262,348,384</u></u>

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

NOTE 3: Detailed Notes on All Funds (continued)

B. Due From and To Other Governmental Units

Amounts due from other governmental units as of December 31, 2007 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$ 32,699	\$ 543,888	\$ 442,007	\$ 86,097	\$ 1,104,691
Special Revenue	245,889	212,664	125,428	56,921	640,902
Capital Project	437,297	5,620,402	287,680	8,951	6,354,330
Enterprise	19,608	471,202	3,445		494,255
Totals	<u>\$ 735,493</u>	<u>\$ 6,848,156</u>	<u>\$ 858,560</u>	<u>\$ 151,969</u>	<u>\$ 8,594,178</u>

Amounts due to other governmental units as of December 31, 2007 are as follows:

Fund Type	Federal Government	State of Minnesota	Olmsted County	Other	Total
General	\$	\$ 30,029	\$ 184,270	\$ 5,883	\$ 220,182
Special Revenue	1,898	69,244	95,818	6,621	173,581
Capital Project		7,943,113	1,023,572		8,966,685
Enterprise		445,368	58,031		503,399
Internal Service		9,884			9,884
Totals	<u>\$ 1,898</u>	<u>\$ 8,497,638</u>	<u>\$ 1,361,691</u>	<u>\$ 12,504</u>	<u>\$ 9,873,731</u>

C. Restricted Cash and Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts and descriptions are as follows:

*Restricted Cash -*

General Fund

Civic Music Endowment:

Rochester Area Foundation Endowment \$ 39,466

Enterprise Funds

Electric Fund:

Construction Account 31,924,888

Reserve Account 4,260,011

Sewer Fund:

Waste Water Construction Account 17,934,290

Waste Water Debt Service Account 4,359,622

Total \$ 58,518,277

*Restricted Assets -*

Enterprise Funds

Electric Fund:

Territorial Service Acquisitions Escrow \$ 2,132,585

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

NOTE 3: Detailed Notes on All Funds (continued)

C. Restricted Cash and Assets (continued)

The electric utility issued revenue bonds in 2000 and 2002 to fund the construction of electric utility improvements and the sewer utility issued revenue bonds in 2004 to fund the construction of sewer utility improvements. Provisions of these revenue bonds require that the electric and sewer utilities fund debt service accounts in an amount equal to the following years bond principal and interest payments at least by the date the debt payments are due each year. In addition to the debt service account, provisions of the electric utility revenue bonds required that \$4,260,011 of the bond proceeds be deposited in a reserve account to be used to pay bond principal and interest payments if necessary.

Under the terms of the revenue bonds, the bond proceeds, net of accrued interest, bond discount, and the reserve requirement, were deposited into a Construction Account to pay all construction-related costs. Any funds remaining in the Construction Account after the payment of these costs must be transferred to a debt service account.

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

Under the terms of these revenue bonds, unspent bond proceeds have been deposited in a Construction Account to pay for construction-related costs. Any funds remaining in the Construction Account after the payment of these costs must be transferred to a debt service account.

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

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets

Governmental capital asset activity, including internal service fund capital assets, for the year ended December 31, 2007 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	\$ 49,256,745	\$ 1,777,390	\$ 66,943	\$ 50,967,192
Construction in progress	64,062,344	6,539,576	21,983,346	48,618,574
Total capital assets, not being depreciated	<u>113,319,089</u>	<u>8,316,966</u>	<u>22,050,289</u>	<u>99,585,766</u>
Capital assets, being depreciated:				
Buildings	117,097,636	10,582,968	115,272	127,565,332
Improvements other than buildings	33,808,854	410,239		34,219,093
Infrastructure	323,243,141	6,979,238		330,222,379
Machinery and equipment	52,310,239	6,582,045	1,642,411	57,249,873
Total capital assets, being depreciated	<u>526,459,870</u>	<u>24,554,490</u>	<u>1,757,683</u>	<u>549,256,677</u>
Less accumulated depreciation for:				
Buildings	45,734,968	3,287,382	110,949	48,911,401
Improvements other than buildings	8,887,958	1,405,535		10,293,493
Infrastructure	79,912,482	7,006,720	6,107	86,913,095
Machinery and equipment	29,722,108	4,536,958	1,624,301	32,634,765
Total accumulated depreciation	<u>164,257,516</u>	<u>16,236,595</u>	<u>1,741,357</u>	<u>178,752,754</u>
Total capital assets, being depreciated, net	<u>362,202,354</u>	<u>8,317,895</u>	<u>16,326</u>	<u>370,503,923</u>
Governmental activities capital assets, net	<u>\$ 475,521,443</u>	<u>\$ 16,634,861</u>	<u>\$ 22,066,615</u>	<u>\$ 470,089,689</u>

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

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Business-type capital asset activity for the year ended December 31, 2007 was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,411,780	\$ 4,198,761	\$	\$ 12,610,541
Construction in progress	85,032,357	52,833,077	80,245,603	57,619,831
Total capital assets, not being depreciated	<u>93,444,137</u>	<u>57,031,838</u>	<u>80,245,603</u>	<u>70,230,372</u>
Capital assets, being depreciated:				
Buildings and improvements	268,844,750	46,447,787	2,762,391	312,530,146
Machinery and equipment	294,908,785	46,325,182	1,764,409	339,469,558
Total capital assets, being depreciated	<u>563,753,535</u>	<u>92,772,969</u>	<u>4,526,800</u>	<u>651,999,704</u>
Less accumulated depreciation for:				
Buildings and improvements	98,459,684	5,015,984	1,626,929	101,848,739
Machinery and equipment	107,376,322	10,329,413	1,460,356	116,245,379
Total accumulated depreciation	<u>205,836,006</u>	<u>15,345,397</u>	<u>3,087,285</u>	<u>218,094,118</u>
Total capital assets, being depreciated, net	<u>357,917,529</u>	<u>77,427,572</u>	<u>1,439,515</u>	<u>433,905,586</u>
Business-type activities capital assets, net	<u>\$ 451,361,666</u>	<u>\$ 134,459,410</u>	<u>\$ 81,685,118</u>	<u>\$ 504,135,958</u>

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

NOTE 3: Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General government	\$ 471,776
Public safety	2,732,362
Public works	4,748,061
Airport operations	2,052,380
Transit	661,106
Culture	878,613
Park and recreation	2,798,469
Economic development/tourism	562
Subtotal	<u>14,343,329</u>
Internal Service Funds:	
Equipment revolving	1,740,247
Information technology	<u>153,019</u>

Total depreciation expense - governmental activities \$ 16,236,595

**Business-Type Activities:**

Parking	\$ 837,007
Electric utility	6,486,443
Water utility	2,093,625
Sewer utility	5,192,618
Storm water utility	<u>735,704</u>

Total depreciation expense - business-type activities \$ 15,345,397

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

NOTE 3: Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers

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

The amounts due to and due from other funds as of December 31, 2007, at the individual fund level are summarized below:

Funds	Due From Other Funds	Due To Other Funds
Major Governmental Funds:		
General	\$ 1,381,555	\$ 323,941
Construction improvement	208,986	34
Subtotal	1,590,541	323,975
Non-Major Governmental Funds:		
Special Revenue -		
Library	5,295	6,878
Municipal recreation system		100,629
Law enforcement block grant		11,832
Airport operations	12,318	22,954
Economic development authority		33,702
Community development projects		5,295
Subtotal	17,613	181,290
Debt Service -		
Economic development authority bond	33,702	
Facility energy improvements	16,515	
Subtotal	50,217	
Total Governmental Funds	1,658,371	505,265
Proprietary Funds:		
Enterprise -		
Parking		1,630
Electric utility		1,395,126
Water utility		231,481
Sewer utility	924,009	155,560
Storm water utility	265,988	559,306
Total Proprietary Funds	1,189,997	2,343,103
Total All Funds	\$ 2,848,368	\$ 2,848,368

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

NOTE 3: Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

The amounts advanced to and advanced from other funds as of December 31, 2007, at the individual fund level are summarized below:

<u>Funds</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Major Governmental Funds:		
Capital Project -		
Construction improvement	\$ 902,169	\$
Non-Major Governmental Funds:		
Special Revenue -		
Municipal recreation system		902,169
Total Governmental Funds	<u>\$ 902,169</u>	<u>\$ 902,169</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.

Transfers during the year ended December 31, 2007 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 11,033,458	\$ 1,194,446
Capital Project	10,979,037	2,112,022
Other Governmental Funds	<u>1,421,628</u>	<u>10,709,876</u>
Subtotal Governmental Funds	23,434,123	14,016,344
Enterprise	1,228,727	10,816,619
Internal Service	<u>245,139</u>	<u>75,026</u>
Totals	<u>\$ 24,907,989</u>	<u>\$ 24,907,989</u>

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

NOTE 3: Detailed Notes on All Funds (continued)

E. Interfund Balances and Transfers (continued)

In the government-wide statement of net assets, transfers in/out of \$1,830,010 are comprised of developer contributions of \$7,757,882 transferred from governmental activities to business-type activities net of \$9,587,892 in transfers from business-type activities to governmental activities.

F. Operating Leases

The City is obligated under certain leases accounted for as operating leases. Expenditures under these operating leases for the year ended December 31, 2007 totaled \$210,479.

Following is a schedule, by years, of future minimum rental payments, related to the Building Safety department's rental at Olmsted County's campus, required under operating leases that have remaining non-cancelable lease terms in excess of one year. All scheduled rent increases are intended to cover inflationary increases in costs.

Years ending December 31:	
2008	\$ 35,518
2009	36,583
2010	37,681
2011	38,811
2012	39,975

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt

A summary of long-term debt obligations outstanding at December 31, 2007, is as follows:

	Original Amount of Debt	Range of Interest	Final Maturity	Balance 12/31/07
General Obligation Bonds:				
Taxable Tax Increment Bonds				
District 7, Series 1997	\$ 2,669,380	5.5%	2024	\$ 2,378,511
General Obligation Revenue Bonds:				
Wastewater Treatment Plant				
Refunding Bonds, Series 2001A	8,275,000	3.5-4.0%	2011	3,685,000
Wastewater Treatment Plant				
Revenue Bonds, Series 2004A	83,735,000	3.0-5.0%	2026	82,465,000
Wastewater Treatment Plant				
Revenue Bonds, Series 2007A	30,455,000	4.0-5.0%	2026	30,455,000
Wastewater Treatment Plant				
Variable Rate Revenue Bonds, Series 2007B	19,500,000	Variable	2026	19,500,000
Revenue Bonds:				
Electric Utility Revenue				
Bonds, Series 2000	37,290,000	4.75-5.25%	2030	2,490,000
Electric Utility Revenue				
Bonds, Series 2002	11,275,000	3.0-4.5%	2017	8,305,000
Electric Utility Revenue				
Bonds, Series 2007C	76,680,000	4.0-5.0%	2030	76,185,000
Rochester Economic Development Authority				
Lease Bonds, Series 2007	9,900,000	4.70%	2033	9,900,000
Revenue Note:				
Electric Utility				
Note, Series 2005	5,765,000	3.98%	2014	4,610,000
Water Utility				
Note, Series 2006	1,525,000	3.80%	2010	1,170,000
Notes Payable:				
GO Sales Tax Revenue Note of 2001	2,500,000	2.83%	2021	1,965,000
Airport Hangar - 1998	175,200	0%	2008	4,263
Airport Hangar - 1999	184,729	0%	2010	36,945
Airport Hangar - 2001	215,301	0%	2012	100,474
Airport Hangar - 2006	263,944	0%	2016	233,151
Energy Loan Payable	5,715,795	4.10%	2018	5,231,244
Capital Lease	886,219	1.995-4.46%	2010	663,703
Compensated Absences				11,408,963
Post Employment Benefit Obligation				307,282
Less: Unamortized premium and issuance costs				7,461,366
Deferred Refunding Balance				(2,063,576)
Total Long-term Debt				<u>\$ 266,492,326</u>

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

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

General Obligation Taxable Tax Increment Bonds

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

General Obligation Taxable Sales Tax Revenue Bonds

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

General Obligation Revenue Refunding and Revenue Bonds

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

Revenue Bonds and Notes – Electric Utility

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

Revenue Lease Bonds – Economic Development Authority

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

Revenue Note – Water Utility

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

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

General Obligation Sales Tax Revenue Note

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

Energy Loan Payable

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

Notes Payable

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

Capital Lease

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

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

Bond Indentures

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

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
Taxable Tax Increment Bonds, District 7, Series 1997	\$ 2,465,264	\$	\$ 86,753	\$ 2,378,511	\$
Taxable Sales Tax Revenue Bonds, Series 2000	7,275,130		7,275,130		
GO Sales Tax Revenue Note of 2001	2,078,000		113,000	1,965,000	116,000
Revenue Bonds:					
REDA Lease Revenue Bonds, Series 2007		9,900,000		9,900,000	
Note Payable:					
Airport Hangar 1998	21,795		17,532	4,263	4,263
Airport Hangar 1999	55,418		18,473	36,945	18,473
Airport Hangar 2001	122,004		21,530	100,474	21,530
Airport Hangar 2006	259,545		26,394	233,151	26,394
Municipal Loan Payable:					
Energy Loan	5,715,795		484,551	5,231,244	385,045
Less: Unamortized Issuance Costs	(12,116)	(36,976)	(986)	(48,106)	
Other Liabilities:					
Compensated Absences	7,773,947	4,932,549	4,578,986	8,127,510	4,880,000
Post Employment Benefit Obligation		307,282		307,282	
Governmental Activities Long-term Liabilities	<u>25,754,782</u>	<u>15,102,855</u>	<u>12,621,363</u>	<u>28,236,274</u>	<u>5,451,705</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General Obligation Bonds:					
Wastewater Treatment Plant - Revenue Refunding Bonds, Series 2001A	4,515,000		830,000	3,685,000	865,000
Revenue Bonds, Series 2004A	83,405,000		940,000	82,465,000	950,000
Revenue Bonds, Series 2007A		30,455,000		30,455,000	
Variable Rate Demand Revenue Bonds, Series 2007B		19,500,000		19,500,000	
Revenue Bonds:					
Electric Utility Revenue Bonds - Series 2000	33,410,000		30,920,000	2,490,000	795,000
Series 2002	8,965,000		660,000	8,305,000	685,000
Series 2007		76,680,000	495,000	76,185,000	215,000
Revenue Note:					
Electric Utility Note of 2005	5,035,000		425,000	4,610,000	470,000
Water Utility Note of 2006	1,525,000		355,000	1,170,000	370,000
Less: Unamortized (Discount) Premium	4,563,783	3,549,811	604,122	7,509,472	
Deferred Refunding Balance		109,083	2,172,659	(2,063,576)	
Other Liabilities:					
Obligation Under Capital Lease		886,219	222,516	663,703	213,149
Compensated Absences	3,037,164	1,742,400	1,498,111	3,281,453	1,637,781
Business-type Activities Long-term Liabilities	<u>144,455,947</u>	<u>132,922,513</u>	<u>39,122,408</u>	<u>238,256,052</u>	<u>6,200,930</u>
Total	<u>\$ 170,210,729</u>	<u>\$ 148,025,368</u>	<u>\$ 51,743,771</u>	<u>\$ 266,492,326</u>	<u>\$ 11,652,635</u>

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

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

The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,172,659. This difference, reported in the financial statements as a reduction from revenue bonds payable, is being amortized and charged to operations over the bond term using the interest method. The City completed the advance refunding to reduce its total debt service payments over the next 23 years by \$3.1 million and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$2.0 million. At December 31, 2007 \$30,165,000 of revenue bonds outstanding are considered defeased.

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

NOTE 3: Detailed Notes on All Funds (continued)

G. Long-term Debt (continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2007, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Revenue Bonds*		Revenue Bonds and Note		Energy Loan Payable		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2008			\$	\$ 295,983	\$ 385,045	\$ 210,574	\$ 186,661	\$ 55,610
2009				465,300	400,994	194,626	186,397	52,326
2010			230,000	459,895	417,603	178,017	170,925	48,930
2011			240,000	448,850	434,900	160,719	173,925	45,450
2012			255,000	437,218	452,914	142,705	170,747	41,884
2013-2017			1,460,000	1,990,919	2,561,997	416,100	809,178	152,057
2018-2022			1,835,000	1,605,168	577,791	17,827	642,000	46,043
2023-2027			2,310,000	1,120,480				
2028-2032			2,905,000	509,832				
2033-2037			665,000	15,628				
Totals			<u>\$ 9,900,000</u>	<u>\$ 7,349,273</u>	<u>\$ 5,231,244</u>	<u>\$ 1,320,568</u>	<u>\$ 2,339,833</u>	<u>\$ 442,300</u>
<u>Business-Type Activities</u>								
2008	\$ 1,815,000	\$ 6,107,900	\$ 2,535,000	\$ 5,765,719	\$ 213,664	\$ 24,422		
2009	1,865,000	6,047,170	2,675,000	5,654,503	222,302	15,783		
2010	2,585,000	5,983,720	2,830,000	5,535,097	227,737	6,814		
2011	2,735,000	5,879,625	2,560,000	3,848,053				
2012	2,075,000	5,752,100	2,710,000	3,738,983				
2013-2017	29,530,000	25,425,375	16,045,000	16,808,919				
2018-2022	39,310,000	16,980,050	20,285,000	12,752,213				
2023-2027	56,190,000	6,202,081	25,120,000	7,922,213				
2028-2032			18,000,000	1,829,250				
Totals	<u>\$ 136,105,000</u>	<u>\$ 78,378,021</u>	<u>\$ 92,760,000</u>	<u>\$ 63,854,950</u>	<u>\$ 663,703</u>	<u>\$ 47,019</u>		

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

The City is subject to statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. As of December 31, 2007, the City had not utilized \$153,740,568 of its net legal debt margin.

The City has issued several conduit debt obligations. These obligations do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The obligations are payable solely from revenues of the respective companies to which the proceeds were remitted. The original amount of the current issues totals \$1,152,803,000 and the balance outstanding at December 31, 2007 totals \$1,146,065,389.

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

NOTE 3: Detailed Notes on All Funds (continued)

H. Other Post Employment Benefits

The City provides health insurance benefits for certain retired employees under a single-employer self-insured plan. The City provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2007 there were approximately 64 retirees participating in the City's group health plan.

The City pays for health insurance coverage for disabled police and fire fighters and their dependents (if the dependents were covered at the time of the disability) until the disabled employee reaches age 65, as required by state statute. As of January 1, 2007 there were 5 disabled police and fire fighters receiving the benefit.

The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for 2007, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$ 478,719
Interest on net OPEB obligations	
Adjustment to ARC	
Annual OPEB Cost	478,719
Contributions during the year	<u>(171,437)</u>
Increase in net OPEB obligation	307,282
Net OPEB beginning of year	
Net OPEB end of year	<u><u>\$ 307,282</u></u>

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

NOTE 3: Detailed Notes on All Funds (continued)

H. Other Post Employment Benefits (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2007 were as follows: (Two year trend information is not available at this time based on the implementation date of January 1, 2007)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2007	\$ 478,719	\$ 171,437	35.81%	\$ 307,282

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2007	\$	\$ 4,715,723	\$ 4,715,723	0.00%	\$ 48,449,610	9.73%

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

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

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

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

NOTE 3: Detailed Notes on All Funds (continued)

H. Other Post Employment Benefits (continued)

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

I. Designated Fund Balance

Designated fund balance represents the portion which is based on tentative future spending plans. Fund balance has been designated at December 31, 2007 in the following funds:

General Fund

Designated:		
Subsequent years' appropriations	\$	347,026
General contingency for future compensated absences		<u>6,651,276</u>
Totals	\$	<u><u>6,998,302</u></u>

Special Revenue Funds

	<u>Library</u>	<u>Municipal Recreation</u>	<u>Totals</u>
Designated:			
Subsequent years' appropriations	\$269,440	\$ 57,911	\$ 327,351
General contingency for future compensated absences	<u>550,340</u>	<u>925,894</u>	<u>1,476,234</u>
Totals	<u><u>\$819,780</u></u>	<u><u>\$ 983,805</u></u>	<u><u>\$ 1,803,585</u></u>

J. Individual Fund Disclosures

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

Special Revenue Fund:

Economic Development Authority Fund	\$ ( 33,704 )
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**CITY OF ROCHESTER, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2007**

NOTE 3: Detailed Notes on All Funds (continued)

K. Restricted Net Assets

	Restricted Net Assets Imposed By		
	Grantors	Contributors	Legally Enforceable
<u>Major Governmental Funds:</u>			
General Fund:			
Civic Music Endowment	\$	\$ 39,466	\$
Construction Improvement Fund:			
Flood Control	22,898,746		
Sales Tax Authorized Projects			1,237,742
<u>Nonmajor Governmental Funds:</u>			
Special Revenue Funds:			
CDBG Loans	3,050,496		
Airport Operations			6,905,797
Total Governmental Activities	<u>25,949,242</u>	<u>39,466</u>	<u>8,143,539</u>
<u>Major Proprietary Funds:</u>			
Electric Utility Fund:			
Service Territory Acquisitions			2,132,585
Total Business-Type Activities			<u>2,132,585</u>
Total Restricted Net Assets	<u>\$ 25,949,242</u>	<u>\$ 39,466</u>	<u>\$ 10,276,124</u>

NOTE 4: Other Information

A. Risk Management

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

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

NOTE 4: Other Information (continued)

A. Risk Management (continued)

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

The City purchases commercial insurance for claims in excess of the coverage provided by the Self-Insurance Fund. All funds of the City participate in the program and make payments to the Self-Insurance Fund. The claim liability of \$2,349,640 reported in the Fund at December 31, 2007 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended by Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are based on the estimated ultimate cost of settling claims, including specific and incremental expenses, salvage, and subrogation. The claim liability does not include other allocated or unallocated claim adjustment expenses.

Changes in the Fund's claims liability amount during the years ended December 31, 2007 and 2006 were as follows:

Year Ended	Beginning of Year Liability	Current Year Claims and Changes to Estimates	Claim Payments	End of Year Liability
2007	\$2,266,937	\$ 8,529,839	\$(8,447,136)	\$2,349,640
2006	2,534,996	7,978,729	(8,246,788)	\$2,266,937

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

NOTE 4: Other Information (continued)

B. Commitments

Power Purchase Agreement:

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

Power Generation Agreement:

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

Construction and Equipment Purchase Commitments:

The City has active construction projects and equipment purchase commitments. As of December 31, 2007, the City's commitments with contractors and vendors were as follows:

<u>Construction Projects</u>	Remaining Commitment
Major Street Projects	\$ 81,482
Sewer and Water Projects	2,451,762
Sidewalk Projects	73,203
Storm Water / Storm Sewer Projects	329,858
Flood Control	156,564
Water Reclamation Projects	552,337
Parking Ramp Rehabilitation	141,564
Fire Station #5	409,108
Airport Projects	333,727
Parks Projects - Various	<u>1,503,677</u>
Total Construction Projects	<u>\$ 6,033,282</u>
<u>Equipment Purchase Commitments</u>	
Facility Energy Improvements	\$ 44,989
Building Permit Software	15,827
Library Materials Handling Automation	<u>329,222</u>
Total Equipment Purchase Commitments	<u>\$ 390,038</u>
<u>Component Unit Commitments</u>	
Rochester EDA - Biobusiness Center	<u>\$ 24,999,596</u>

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

NOTE 4: Other Information (continued)

C. Contingent Liabilities

General Litigation:

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

Federally Assisted Programs:

The City participates in a number of federal agency assisted grant programs, principal of which are the Community Development Block Grant, Federal Transit, and Airport Improvement programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of certain programs for or including the year ended December 31, 2007, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

SMMPA Litigation:

In 2005, the City's municipal utility, Rochester Public Utilities (RPU), brought a claim against Southern Minnesota Municipal Power Agency (SMMPA) its primary wholesale power supplier, seeking a declaratory judgment that with respect to RPU's election of a "contract rate of delivery (CROD)" in 1999, RPU is not obligated to pay the capital costs of new generating resources. RPU also alleged breach of contract related to the process by which SMMPA establishes its rates and the possibility that SMMPA might have over collected costs through rates charged to RPU (and others) under the Power Sales Contract since 2003. In 2006, RPU amended and supplemented its claims. With respect to the CROD-related count, RPU amended the requested judgment to state that SMMPA cannot charge RPU for the capital costs of generating facilities exceeding the 216 MW CROD. With respect to the breach of contract issues regarding rates, RPU amended and supplemented the count to argue that SMMPA has not followed correct ratemaking procedures and may have under collected important costs in past years.

SMMPA has filed a counterclaim alleging that RPU's steam sale agreement with the Mayo Clinic represents a breach of a 1992 "Settlement Agreement" concerning the use of RPU's Silver Lake Plant. SMMPA also filed counterclaims for declaratory judgment on issues relating to the nature of RPU's obligations under the Power Sales Contract. Early in 2007, SMMPA added a counterclaim requesting a judgment declaring, among other things, that the SMMPA Board has virtually unlimited discretion in setting rates under the Power Sales Contract with RPU

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

NOTE 4: Other Information (continued)

C. Contingent Liabilities (continued)

SMMPA Litigation (continued):

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

D. Deferred Compensation

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

E. Employee Retirement Systems

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

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

A. Plan Description

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

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

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

A. Plan Description (continued)

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age for unreduced Social Security benefits is capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

NOTE 4: Other Information (continued)

E. Employee Retirement Systems (continued)

A. Plan Description (continued)

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

B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75% respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. The City of Rochester is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, and 11.7% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9% respectively, effective January 1, 2008. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$2,289,194, \$2,096,034, and \$1,871,477, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$1,813,848, \$1,545,448, and \$1,335,317, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR**  
**FUND STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2007**

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# CITY OF ROCHESTER, MINNESOTA

## NONMAJOR FUNDS

DECEMBER 31, 2007

### **SPECIAL REVENUE FUNDS**

#### **Library Fund:**

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

#### **Municipal Recreation System Fund:**

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

#### **Law Enforcement Block Grants Fund:**

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

#### **Airport Operations Fund:**

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

#### **The F.E. Williams Estate Fund:**

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

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

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

#### **Community Development Projects Fund:**

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

### **DEBT SERVICE FUNDS**

#### **Tax Increment Bonds Fund:**

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

#### **Airport Hangar Construction Notes Fund:**

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

#### **Sales Tax Revenue Bonds Fund:**

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

# CITY OF ROCHESTER, MINNESOTA

## NONMAJOR FUNDS

DECEMBER 31, 2007

### DEBT SERVICE FUNDS (continued)

#### **Transportation Sales Tax Note Fund:**

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

#### **Facility Energy Improvements Loan Fund:**

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

#### **Economic Development Authority Bond Fund:**

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

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**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2007

	Special Revenue						
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	Transit	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 28,177	\$ 130,269	\$	\$ 8,172	\$ 24,532	\$ 6,929	\$
Investments	1,527,600	2,239,600		3,461,400	228,500	636,400	
Accrued interest receivable	15,200	22,300		34,500	2,300	6,300	
Accounts receivable (net of allowance for uncollectibles)	171	289,725		1,188,083	188	6,494	
Loans receivable							
Taxes receivable delinquent	67,029	77,923		11,054		208	
Special assessments receivable delinquent		925					
Due from other funds	5,295			12,318			
Due from other governmental units	35,088	142,273	15,908	216,469		27,811	
Prepaid items	3,000	8,140					
<b>TOTAL ASSETS</b>	<b>\$ 1,681,560</b>	<b>\$ 2,911,155</b>	<b>\$ 15,908</b>	<b>\$ 4,931,996</b>	<b>\$ 255,520</b>	<b>\$ 684,142</b>	<b>\$</b>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Accounts payable	\$ 109,306	\$ 141,321	\$ 3,884	\$ 293,916	\$	\$ 265,564	\$ 2
Deposits payable	6,816	118,516					
Accrued compensation and payroll taxes	139,672	207,460				267	
Due to other funds	6,878	100,629	11,832	22,954			33,702
Due to other governmental units	30,364	128,126	192	1,823		40	
Advances from other funds		902,169					
Deferred revenue	67,029	78,849		11,054		207	
<b>Total Liabilities</b>	<b>360,065</b>	<b>1,677,070</b>	<b>15,908</b>	<b>329,747</b>		<b>266,078</b>	<b>33,704</b>
Fund Balance:							
Reserved for prepaid items	3,000	8,140					
Reserved for debt service							
Reserved for encumbrances		34,153				315	
Unreserved:							
Designated for future compensated absences	550,340	925,894					
Designated for subsequent years' appropriations	269,440	57,911					
Undesignated	498,715	207,987		4,602,249	255,520	417,749	(33,704)
<b>Total Fund Balance</b>	<b>1,321,495</b>	<b>1,234,085</b>		<b>4,602,249</b>	<b>255,520</b>	<b>418,064</b>	<b>(33,704)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,681,560</b>	<b>\$ 2,911,155</b>	<b>\$ 15,908</b>	<b>\$ 4,931,996</b>	<b>\$ 255,520</b>	<b>\$ 684,142</b>	<b>\$</b>

Community Development Projects	Total	Debt Service						Total	Total Nonmajor Governmental Funds
		Tax Increment Bonds	Airport Hangar Construction Notes	Sales Tax Revenue Bonds	Transportation Sales Tax Note	Facility Energy Improvements Loan	Economic Development Authority Bond		
\$	\$ 198,079	\$	\$	\$	\$	\$ 224,741	\$ 34,973	\$ 259,714	\$ 457,793
	8,093,500						509,800	509,800	8,603,300
	80,600						5,100	5,100	85,700
	1,484,661								1,484,661
3,050,496	3,050,496								3,050,496
	156,214								156,214
	925								925
	17,613					16,515	33,702	50,217	67,830
203,353	640,902								640,902
	11,140								11,140
<u>\$ 3,253,849</u>	<u>\$ 13,734,130</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 241,256</u>	<u>\$ 583,575</u>	<u>\$ 824,831</u>	<u>\$ 14,558,961</u>
\$ 185,022	\$ 999,015	\$	\$	\$	\$	\$	\$	\$	\$ 999,015
	125,332								125,332
	347,399								347,399
5,295	181,290								181,290
13,036	173,581								173,581
	902,169								902,169
<u>3,050,496</u>	<u>3,207,635</u>								<u>3,207,635</u>
<u>3,253,849</u>	<u>5,936,421</u>								<u>5,936,421</u>
	11,140								11,140
	34,468					241,256	583,575	824,831	824,831
									34,468
	1,476,234								1,476,234
	327,351								327,351
	<u>5,948,516</u>								<u>5,948,516</u>
	<u>7,797,709</u>					<u>241,256</u>	<u>583,575</u>	<u>824,831</u>	<u>8,622,540</u>
<u>\$ 3,253,849</u>	<u>\$ 13,734,130</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 241,256</u>	<u>\$ 583,575</u>	<u>\$ 824,831</u>	<u>\$ 14,558,961</u>

**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2007

	Special Revenue						
	Library	Municipal Recreation System	Law Enforcement Block Grants	Airport Operations	F.E. Williams Estate	Transit	
<b>REVENUES</b>							
General property taxes	\$ 4,223,223	\$ 5,018,235	\$	\$ 674,804	\$	\$ 243	\$
Tax increments							
Sales tax							
Intergovernmental revenues	1,112,259	384,493	15,908	285,434		2,635,073	
Charges for services	149,737	5,664,463		2,936,705		185,476	
Interest earnings	32,771	58,583	397	184,665	10,136	14,912	
Net increase in the fair value of investments	33,300	47,500		70,600	4,600	13,600	
Miscellaneous revenues	165,137	70,716		18,000	10,293	33,828	
Total Revenues	<u>5,716,427</u>	<u>11,243,990</u>	<u>16,305</u>	<u>4,170,208</u>	<u>25,029</u>	<u>2,883,132</u>	
<b>EXPENDITURES</b>							
Culture	5,611,164						
Park and recreation		10,929,848					
Public safety			48,016				
Airport operations				3,105,049			
Transit						2,828,406	
Economic development/tourism							
Debt service							
Total Expenditures	<u>5,611,164</u>	<u>10,929,848</u>	<u>48,016</u>	<u>3,105,049</u>	<u>6</u>	<u>2,828,406</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>105,263</u>	<u>314,142</u>	<u>(31,711)</u>	<u>1,065,159</u>	<u>25,023</u>	<u>54,726</u>	
<b>OTHER FINANCING SOURCES (USES)</b>							
Issuance of debt							9,900,000
Transfers in		120,000					
Transfers out	(21,505)	(299,530)		(211,911)	(20,344)	(255,111)	(9,900,000)
Total Other Financing Sources (Uses)	<u>(21,505)</u>	<u>(179,530)</u>		<u>(211,911)</u>	<u>(20,344)</u>	<u>(255,111)</u>	
Net change in fund balances	83,758	134,612	(31,711)	853,248	4,679	(200,385)	
Fund Balances - beginning	1,237,737	1,099,473	31,711	3,749,001	250,841	618,449	(33,704)
Fund Balances - ending	<u>\$ 1,321,495</u>	<u>\$ 1,234,085</u>	<u>\$</u>	<u>\$ 4,602,249</u>	<u>\$ 255,520</u>	<u>\$ 418,064</u>	<u>\$ (33,704)</u>

Community Development Projects	Total	Debt Service						Total	Total Nonmajor Governmental Funds
		Tax Increment Bonds	Airport Hangar Construction Notes	Sales Tax Revenue Bonds	Transportation Sales Tax Note	Facility Energy Improvements Loan	Economic Development Authority Bond		
\$	\$ 9,916,505	\$ 221,166	\$	\$	\$	\$	\$	\$	\$ 9,916,505
				7,721,420	171,807			221,166	221,166
560,235	4,993,402							7,893,227	7,893,227
	8,936,381								4,993,402
	301,464						7,047	7,047	8,936,381
	169,600					10,287	9,800	20,087	308,511
67,820	365,794					129,846		129,846	189,687
628,055	24,683,146	221,166		7,721,420	171,807	140,133	16,847	8,271,373	495,640
	5,611,164								5,611,164
	10,929,854								10,929,854
	48,016								48,016
	3,105,049								3,105,049
	2,828,406								2,828,406
626,580	626,580						3,604	3,604	630,184
		221,166	83,930	7,721,420	171,807	653,712		8,852,035	8,852,035
626,580	23,149,069	221,166	83,930	7,721,420	171,807	653,712	3,604	8,855,639	32,004,708
1,475	1,534,077		(83,930)			(513,579)	13,243	(584,266)	949,811
	9,900,000								9,900,000
	120,000		83,930			647,366	570,332	1,301,628	1,421,628
(1,475)	(10,709,876)								(10,709,876)
(1,475)	(689,876)		83,930			647,366	570,332	1,301,628	611,752
	844,201					133,787	583,575	717,362	1,561,563
	6,953,508					107,469		107,469	7,060,977
\$	\$ 7,797,709	\$	\$	\$	\$	\$ 241,256	\$ 583,575	\$ 824,831	\$ 8,622,540

**CITY OF ROCHESTER, MINNESOTA**  
**LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2007  
With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
General property taxes	\$4,532,507	\$4,263,880	\$4,223,223	\$ (40,657)	\$3,938,279
Intergovernmental	836,643	1,109,336	1,112,259	2,923	1,138,867
Charges for services	143,850	143,850	149,737	5,887	163,213
Interest earnings	10,000	20,774	32,771	11,997	28,692
Net increase in the fair value of investments			33,300	33,300	10,500
Miscellaneous					
Contributions		156,330	156,330		109,447
Other	7,000	7,001	8,807	1,806	7,709
Total Revenues	<u>5,530,000</u>	<u>5,701,171</u>	<u>5,716,427</u>	<u>15,256</u>	<u>5,396,707</u>
<b>EXPENDITURES</b>					
Public Library	5,508,495	5,550,604	5,469,544	81,060	5,224,477
Library - SELCO		37,978	4,835	33,143	6,590
Gifts appropriations		373,083	136,785	236,298	133,664
Total Expenditures	<u>5,508,495</u>	<u>5,961,665</u>	<u>5,611,164</u>	<u>350,501</u>	<u>5,364,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,505</u>	<u>(260,494)</u>	<u>105,263</u>	<u>365,757</u>	<u>31,976</u>
<b>OTHER FINANCING USES</b>					
Transfers out	<u>(21,505)</u>	<u>(21,505)</u>	<u>(21,505)</u>		<u>(15,000)</u>
Net change in fund balances		<u>(281,999)</u>	<u>83,758</u>	<u>365,757</u>	<u>16,976</u>
Fund Balance - beginning	<u>1,237,737</u>	<u>1,237,737</u>	<u>1,237,737</u>		<u>1,220,761</u>
Fund Balances - ending	<u>\$1,237,737</u>	<u>\$ 955,738</u>	<u>\$1,321,495</u>	<u>\$ 365,757</u>	<u>\$1,237,737</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, 2007  
 With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
General property taxes	\$ 5,387,112	\$ 5,067,876	\$5,018,235	\$ (49,641)	\$4,479,624
Intergovernmental	49,136	381,018	384,493	3,475	338,389
Charges for services	5,710,812	5,710,812	5,664,463	(46,349)	5,212,282
Interest earnings	52,650	52,650	58,583	5,933	54,389
Net increase in the fair value of investments			47,500	47,500	16,700
Miscellaneous					
Contributions	27,480	45,256	23,014	(22,242)	52,570
Other	27,210	29,056	47,702	18,646	16,105
Total Revenues	<u>11,254,400</u>	<u>11,286,668</u>	<u>11,243,990</u>	<u>(42,678)</u>	<u>10,170,059</u>
<b>EXPENDITURES</b>					
Administration	520,120	520,120	510,444	9,676	418,836
Recreation Department	609,585	615,459	621,178	(5,719)	605,434
Golf	1,434,634	1,452,083	1,509,954	(57,871)	1,463,160
Tennis Center	48,407	48,407	51,026	(2,619)	52,942
Volleyball Center	277,808	279,569	292,891	(13,322)	274,403
Swimming Pools	201,967	201,967	200,263	1,704	194,174
Graham Arenas	476,517	487,402	509,714	(22,312)	440,652
Park	3,516,067	3,569,562	3,374,513	195,049	3,145,231
Plummer House	54,757	54,757	50,763	3,994	70,827
Recreation Center	1,208,392	1,208,392	1,096,837	111,555	1,153,166
UCR Field House	118,800	118,800	123,464	(4,664)	146,799
Mayo Civic Center	2,312,099	2,400,112	2,588,801	(188,689)	2,391,565
Total Expenditures	<u>10,779,153</u>	<u>10,956,630</u>	<u>10,929,848</u>	<u>26,782</u>	<u>10,357,189</u>
Excess (deficiency) of revenues over (under) expenditures	<u>475,247</u>	<u>330,038</u>	<u>314,142</u>	<u>(15,896)</u>	<u>(187,130)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		120,000	120,000		305,000
Transfers out	(498,313)	(498,313)	(299,530)	198,783	(40,000)
Total Other Financing Sources (Uses)	<u>(498,313)</u>	<u>(378,313)</u>	<u>(179,530)</u>	<u>198,783</u>	<u>265,000</u>
Net change in fund balances	<u>(23,066)</u>	<u>(48,275)</u>	<u>134,612</u>	<u>182,887</u>	<u>77,870</u>
Fund Balance - beginning	<u>1,099,473</u>	<u>1,099,473</u>	<u>1,099,473</u>		<u>1,021,603</u>
Fund Balances - ending	<u>\$ 1,076,407</u>	<u>\$ 1,051,198</u>	<u>\$ 1,234,085</u>	<u>\$ 182,887</u>	<u>\$ 1,099,473</u>

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

For the Year Ended December 31, 2007

With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$	\$ 15,908	\$ 15,908	\$	\$ 30,470
Interest earnings		397	397		1,029
Total Revenues		<u>16,305</u>	<u>16,305</u>		<u>31,499</u>
<b>EXPENDITURES</b>					
Law enforcement block grant	<u>31,711</u>	<u>48,016</u>	<u>48,016</u>		<u>41,585</u>
Total Expenditures	<u>31,711</u>	<u>48,016</u>	<u>48,016</u>		<u>41,585</u>
Excess (deficiency) of revenues over (under) expenditures	(31,711)	(31,711)	(31,711)		(10,086)
Fund Balances - beginning	<u>31,711</u>	<u>31,711</u>	<u>31,711</u>		<u>41,797</u>
Fund Balances - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 31,711</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, 2007

With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
General property taxes	\$ 723,533	\$ 680,644	\$ 674,804	\$ (5,840)	\$ 735,702
Intergovernmental	198,752	241,641	285,434	43,793	251,146
Charges for services	2,412,708	2,412,708	2,936,705	523,997	2,647,146
Interest earnings	75,000	75,000	184,665	109,665	115,892
Net increase in the fair value of investments			70,600	70,600	21,300
Miscellaneous	18,000	18,000	18,000		18,000
Total Revenues	<u>3,427,993</u>	<u>3,427,993</u>	<u>4,170,208</u>	<u>742,215</u>	<u>3,789,186</u>
<b>EXPENDITURES</b>					
Airport operations	2,533,899	2,533,899	2,910,888	(376,989)	2,574,749
US customs operations	130,038	130,038	194,161	(64,123)	159,722
Total Expenditures	<u>2,663,937</u>	<u>2,663,937</u>	<u>3,105,049</u>	<u>(441,112)</u>	<u>2,734,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>764,056</u>	<u>764,056</u>	<u>1,065,159</u>	<u>301,103</u>	<u>1,054,715</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>(211,911)</u>	<u>(211,911)</u>	<u>(211,911)</u>		<u>(744,583)</u>
Total Other Financing Sources (Uses)	<u>(211,911)</u>	<u>(211,911)</u>	<u>(211,911)</u>		<u>(744,583)</u>
Net change in fund balances	552,145	552,145	853,248	301,103	310,132
Fund Balances - beginning	<u>3,749,001</u>	<u>3,749,001</u>	<u>3,749,001</u>		<u>3,438,869</u>
Fund Balances - ending	<u>\$4,301,146</u>	<u>\$4,301,146</u>	<u>\$4,602,249</u>	<u>\$ 301,103</u>	<u>\$3,749,001</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, 2007  
With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Interest earnings	\$ 6,000	\$ 6,000	\$ 10,136	\$ 4,136	\$ 9,874
Net increase in the fair value of investments			4,600	4,600	2,400
Miscellaneous					
Contributions					20
Rental of real property	11,877	11,877	10,293	(1,584)	11,526
Total Revenues	<u>17,877</u>	<u>17,877</u>	<u>25,029</u>	<u>7,152</u>	<u>23,820</u>
<b>EXPENDITURES</b>					
Contractual services	5,149	5,149	6	5,143	
Total Expenditures	<u>5,149</u>	<u>5,149</u>	<u>6</u>	<u>5,143</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>12,728</u>	<u>12,728</u>	<u>25,023</u>	<u>12,295</u>	<u>23,820</u>
<b>OTHER FINANCING USES</b>					
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,344)</u>	<u>(344)</u>	<u>(75,325)</u>
Net change in fund balances	(7,272)	(7,272)	4,679	11,951	(51,505)
Fund Balances - beginning	<u>250,841</u>	<u>250,841</u>	<u>250,841</u>		<u>302,346</u>
Fund Balances - ending	<u>\$243,569</u>	<u>\$243,569</u>	<u>\$255,520</u>	<u>\$ 11,951</u>	<u>\$ 250,841</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, 2007

With Comparative Totals for the Year Ended December 31, 2006

	Budgeted Amounts		2007 Actual Amounts	Variance with Final Budget - Positive (Negative)	2006 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
General property taxes	\$	\$	\$ 243	\$ 243	\$ 42,497
Intergovernmental revenues	3,236,248	3,236,248	2,635,073	(601,175)	2,582,401
Charges for services	205,500	205,500	185,476	(20,024)	150,853
Interest earnings	12,000	12,000	14,912	2,912	19,494
Net increase in the fair value of investments			13,600	13,600	3,400
Miscellaneous		25,314	33,828	8,514	28,033
Total Revenues	<u>3,453,748</u>	<u>3,479,062</u>	<u>2,883,132</u>	<u>(595,930)</u>	<u>2,826,678</u>
<b>EXPENDITURES</b>					
Employee services	13,258	13,258	11,514	1,744	10,728
Contractual services	480,562	518,355	528,653	(10,298)	473,985
Materials and supplies	80,100	80,100	78,183	1,917	64,992
Other charges	2,426,212	2,426,212	2,210,056	216,156	2,100,174
Total Expenditures	<u>3,000,132</u>	<u>3,037,925</u>	<u>2,828,406</u>	<u>209,519</u>	<u>2,649,879</u>
Excess (deficiency) of revenues over (under) expenditures	453,616	441,137	54,726	(386,411)	176,799
<b>OTHER FINANCING USES</b>					
Transfers out	<u>(254,000)</u>	<u>(254,000)</u>	<u>(255,111)</u>	<u>(1,111)</u>	
Net change in fund balances	199,616	187,137	(200,385)	(387,522)	176,799
Fund Balances - beginning	<u>618,449</u>	<u>618,449</u>	<u>618,449</u>		<u>441,650</u>
Fund Balances - ending	<u>\$ 818,065</u>	<u>\$ 805,586</u>	<u>\$ 418,064</u>	<u>\$ (387,522)</u>	<u>\$ 618,449</u>

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**CITY OF ROCHESTER, MINNESOTA**  
**COMBINING AND INDIVIDUAL**  
**FUND STATEMENTS AND SCHEDULES (CONTINUED)**  
**INTERNAL SERVICE FUNDS**  
**DECEMBER 31, 2007**

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

**Equipment Revolving Fund:**

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

**Information Technology Revolving Fund:**

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

**Self-Insurance Fund:**

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

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

December 31, 2007

With Comparative Totals as of December 31, 2006

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2007	2006
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 55,134	\$ 240,073	\$ 890,126	\$ 1,185,333	\$ 300,216
Investments	5,447,800	3,053,500	17,002,700	25,504,000	22,092,600
Accrued interest receivable	54,300	30,400	169,500	254,200	217,100
Accounts receivable	25,380		2,842	28,222	
Total Current Assets	<u>5,582,614</u>	<u>3,323,973</u>	<u>18,065,168</u>	<u>26,971,755</u>	<u>22,609,916</u>
Noncurrent Assets:					
Capital assets:					
Machinery and equipment	21,633,454	835,313		22,468,767	20,450,202
Less: Accumulated depreciation	(12,081,637)	(458,275)		(12,539,912)	(11,580,583)
Total capital assets (net of accumulated depreciation)	<u>9,551,817</u>	<u>377,038</u>		<u>9,928,855</u>	<u>8,869,619</u>
Total Assets	<u>15,134,431</u>	<u>3,701,011</u>	<u>18,065,168</u>	<u>36,900,610</u>	<u>31,479,535</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	96,425	16,253	38,656	151,334	11,527
Deposits payable			188,348	188,348	240,933
Accrued compensation and payroll taxes			14,875	14,875	14,050
Due to other governmental units		133	9,751	9,884	10,580
Accrued claims			1,368,888	1,368,888	1,307,530
Total Current Liabilities	<u>96,425</u>	<u>16,386</u>	<u>1,620,518</u>	<u>1,733,329</u>	<u>1,584,620</u>
Noncurrent Liabilities:					
Accrued claims			980,752	980,752	959,407
Post employment benefit obligation			307,282	307,282	
Total Noncurrent Liabilities			<u>1,288,034</u>	<u>1,288,034</u>	<u>959,407</u>
Total Liabilities	<u>96,425</u>	<u>16,386</u>	<u>2,908,552</u>	<u>3,021,363</u>	<u>2,544,027</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	9,551,817	377,038		9,928,855	8,869,619
Unrestricted	5,486,189	3,307,587	15,156,616	23,950,392	20,065,889
Total Net Assets	<u>\$ 15,038,006</u>	<u>\$ 3,684,625</u>	<u>\$ 15,156,616</u>	<u>\$ 33,879,247</u>	<u>\$ 28,935,508</u>

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

For the Year Ended December 31, 2007  
With Comparative Totals for the Year Ended December 31, 2006

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2007	2006
Operating Revenues:					
Charges for Services:					
Equipment rental	\$ 1,727,318	\$ 341,421	\$	\$ 2,068,739	\$ 1,922,818
Copy center charges	21,403			21,403	21,918
Departmental workers' compensation charges			174,207	174,207	173,149
Departmental insurance charges			11,299,308	11,299,308	10,424,301
Departmental flex charges			18,581	18,581	19,012
Employee insurance charges			1,530,044	1,530,044	1,467,501
Employee flex benefit contributions			594,310	594,310	591,741
Total Operating Revenues	<u>1,748,721</u>	<u>341,421</u>	<u>13,616,450</u>	<u>15,706,592</u>	<u>14,620,440</u>
Operating Expenses:					
Copy center	12,747			12,747	12,519
Minor equipment		300,517		300,517	148,835
Workers' compensation benefits			154,141	154,141	123,130
Workers' compensation insurance premiums			39,298	39,298	42,710
Health insurance claims			8,848,295	8,848,295	8,023,287
Flex benefits			585,806	585,806	611,364
Property and liability insurance			623,246	623,246	666,510
Property and liability claims			83,914	83,914	28,735
Other	488	155,002		155,490	135,797
Depreciation	1,740,247	153,019		1,893,266	1,750,234
Total Operating Expenses	<u>1,753,482</u>	<u>608,538</u>	<u>10,334,700</u>	<u>12,696,720</u>	<u>11,543,121</u>
Operating Income (Loss)	<u>(4,761)</u>	<u>(267,117)</u>	<u>3,281,750</u>	<u>3,009,872</u>	<u>3,077,319</u>
Nonoperating Revenues (Expenses):					
Interest earnings	231,838	133,085	687,907	1,052,830	795,618
Net increase in the fair value of investments	119,600	65,000	351,800	536,400	152,400
Gain on disposal of property	91,444			91,444	76,049
Other income	7,711	1,200	480	9,391	1,572
Total Nonoperating Revenues (Expenses)	<u>450,593</u>	<u>199,285</u>	<u>1,040,187</u>	<u>1,690,065</u>	<u>1,025,639</u>
Income (Loss) Before Transfers and Contributions	445,832	(67,832)	4,321,937	4,699,937	4,102,958
Capital contributions		73,689		73,689	133,416
Transfers in		245,139		245,139	101,850
Transfers out		(75,026)		(75,026)	
Change in Net Assets	445,832	175,970	4,321,937	4,943,739	4,338,224
Total Net Assets - beginning	<u>14,592,174</u>	<u>3,508,655</u>	<u>10,834,679</u>	<u>28,935,508</u>	<u>24,597,284</u>
Total Net Assets - ending	<u>\$ 15,038,006</u>	<u>\$ 3,684,625</u>	<u>\$ 15,156,616</u>	<u>\$ 33,879,247</u>	<u>\$ 28,935,508</u>

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

For the Year Ended December 31, 2007  
 With Comparative Totals for the Year Ended December 31, 2006

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2007	2006
<b>Cash Flows From Operating Activities:</b>					
Cash received from other departments	\$ 1,723,341	\$ 341,421	\$ 11,489,254	\$ 13,554,016	\$ 12,561,198
Cash received from employees			2,124,354	2,124,354	2,059,242
Cash paid to suppliers	(13,235)	(439,399)	(9,967,873)	(10,420,507)	(10,169,409)
Other income	7,711		480	8,191	1,572
<b>Net Cash Provided by (Used in)     Operating Activities</b>	<u>1,717,817</u>	<u>(97,978)</u>	<u>3,646,215</u>	<u>5,266,054</u>	<u>4,452,603</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Transfers in		245,139		245,139	101,850
Transfers out		(75,026)		(75,026)	
<b>Net Cash Provided By (Used in)     Noncapital Financing Activities</b>		<u>170,113</u>		<u>170,113</u>	<u>101,850</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from sale of property	97,486	1,200		98,686	106,557
Acquisition of capital assets	(2,733,442)	(57,024)		(2,790,466)	(2,273,147)
<b>Net Cash Provided By (Used in) Capital     and Related Financing Activities</b>	<u>(2,635,956)</u>	<u>(55,824)</u>		<u>(2,691,780)</u>	<u>(2,166,590)</u>
<b>Cash Flows From Investing Activities:</b>					
Investment income	236,238	132,585	646,907	1,015,730	694,718
Net (increase) decrease in investments	650,000	50,000	(3,575,000)	(2,875,000)	(3,925,000)
<b>Net Cash Provided By (Used in)     Investing Activities</b>	<u>886,238</u>	<u>182,585</u>	<u>(2,928,093)</u>	<u>(1,859,270)</u>	<u>(3,230,282)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(31,901)	198,896	718,122	885,117	(842,419)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>87,035</u>	<u>41,177</u>	<u>172,004</u>	<u>300,216</u>	<u>1,142,635</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 55,134</u>	<u>\$ 240,073</u>	<u>\$ 890,126</u>	<u>\$ 1,185,333</u>	<u>\$ 300,216</u>

**CITY OF ROCHESTER, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
For the Year Ended December 31, 2007  
With Comparative Totals for the Year Ended December 31, 2006

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

	Equipment Revolving Fund	Information Technology Revolving Fund	Self- Insurance Fund	Totals	
				2007	2006
Operating Income (Loss)	\$ (4,761)	\$ (267,117)	\$ 3,281,750	\$ 3,009,872	\$ 3,077,319
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	1,740,247	153,019		1,893,266	1,750,234
Other income	7,711		480	8,191	1,572
(Increase) Decrease In:					
Accounts receivable	(25,380)		(2,842)	(28,222)	
Due from other funds					
Due from other governmental units					
Increase (Decrease) In:					
Accounts payable		15,987	29,431	45,418	4,177
Deposits payable			(52,585)	(52,585)	(84,402)
Accrued compensation and payroll taxes			825	825	(4,400)
Due to other governmental units		133	(829)	(696)	(23,838)
Post employment benefit obligation			307,282	307,282	
Accrued claims			82,703	82,703	(268,059)
	<u>\$1,717,817</u>	<u>\$ (97,978)</u>	<u>\$ 3,646,215</u>	<u>\$ 5,266,054</u>	<u>\$ 4,452,603</u>
Net Cash Provided by (Used in) Operating Activities					
Non Cash Transactions:					
Receipt of contributed property	\$	\$ 73,689	\$	\$ 73,689	\$ 133,416
Increase in fair value of investments	119,600	65,000	351,800	536,400	152,400

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**CITY OF ROCHESTER, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2007**

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
December 31, 2007

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded Actuarial Accrued Liability ( b - a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( ( b - a ) / c )
1/1/2007	\$	\$ 4,715,723	\$ 4,715,723	0.00%	\$ 48,449,610	9.73%

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

**CITY OF ROCHESTER, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2007**

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

December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation Tax</u>								
<u>Increment Bonds:</u>								
Taxable Tax Increment Bonds District 7, Series 1997	5.50% (2/1; 8/1)	3/4/1997	2/1/2024	(1)	\$ 2,768,500	\$ 2,669,380	\$ 290,869	\$ 2,378,511
Total General Obligation Tax Increment Bonds					2,768,500	2,669,380	290,869	2,378,511
<u>General Obligation Sales</u>								
<u>Tax Revenue Notes:</u>								
General Obligation Taxable Sales Tax Revenue Note of 2001	2.83% (2/20: 8/20)	11/14/2001	8/20/2021	\$ 116,000 (2008) 120,000 (2009) 123,000 (2010) 126,000 (2011) 130,000 (2012) 134,000 (2013) 138,000 (2014) 141,000 (2015) 145,000 (2016) 150,000 (2017) 154,000 (2018) 158,000 (2019) 163,000 (2020) 167,000 (2021)	2,500,000	2,500,000	535,000	1,965,000
Total General Obligation Sales Tax Revenue Notes					2,500,000	2,500,000	535,000	1,965,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>									
<u>Revenue Bonds:</u>									
Wastewater Treatment Refunding Bonds 2001A dated September 15, 2001-str 12/1/07	3.5, 3.7, 3.8 3.9,4.0% (6/1; 12/1)	9/15/2001	12/1/2011	\$ 865,000 (2008) 900,000 (2009) 930,000 (2010) 990,000 (2011)		\$ 8,275,000	\$ 8,275,000	\$ 4,590,000	\$ 3,685,000
Subtotal General Obligation Revenue Bonds						<u>8,275,000</u>	<u>8,275,000</u>	<u>4,590,000</u>	<u>3,685,000</u>
 <u>General Obligation</u>									
<u>Revenue Bonds:</u>									
Wastewater Treatment Revenue Bonds 2004A dated November 1, 2004-str 2/1/11	3.0, 5.0% (2/1)	11/1/2004	2/1/2026	\$ 950,000 (2008) 965,000 (2009) 985,000 (2010) 1,050,000 (2011) 1,355,000 (2012) 2,560,000 (2013) 3,820,000 (2014) 4,735,000 (2015) 4,930,000 (2016) 5,125,000 (2017) 5,340,000 (2018) 5,560,000 (2019) 5,795,000 (2020) 6,050,000 (2021) 6,320,000 (2022) 6,600,000 (2023) 6,905,000 (2024) 7,225,000 (2025) 6,195,000 (2026)		83,735,000	83,735,000	1,270,000	82,465,000
Subtotal General Obligation Revenue Bonds						<u>83,735,000</u>	<u>83,735,000</u>	<u>1,270,000</u>	<u>82,465,000</u>

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

December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>General Obligation</u>								
<u>Revenue Bonds (continued):</u>								
Wastewater Treatment	4.0, 4.125, 4.25	2/1/2007	12/1/2026	\$	(2008)	\$ 30,455,000	\$	\$ 30,455,000
Revenue Bonds 2007A	4.375, 5.0% (2/1; 8/1)				(2009)			
				670,000	(2010)			
				695,000	(2011)			
				720,000	(2012)			
				1,475,000	(2013)			
				1,625,000	(2014)			
				1,690,000	(2015)			
				1,750,000	(2016)			
				1,820,000	(2017)			
				1,890,000	(2018)			
				1,965,000	(2019)			
				2,045,000	(2020)			
				2,130,000	(2021)			
				2,215,000	(2022)			
				2,285,000	(2023)			
				2,385,000	(2024)			
				2,485,000	(2025)			
				2,610,000	(2026)			
Subtotal General Obligation Revenue Bonds						30,455,000	30,455,000	30,455,000
<u>General Obligation</u>								
<u>Revenue Bonds:</u>								
Variable Rate Demand Wastewater Treatment Revenue Bonds 2007B	Variable (monthly)	4/12/2007	12/1/2026		(2)	19,500,000	19,500,000	19,500,000
Subtotal General Obligation Revenue Bonds						19,500,000	19,500,000	19,500,000
Total General Obligation Revenue Bonds						141,965,000	141,965,000	136,105,000

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds:</u>								
Electric Utility Revenue Bonds, Series 2000	4.75, 4.85, 5.0, 5.1, 5.125, 5.20 5.25% (6/1; 12/1)	12/1/2000	12/1/2030	\$ 795,000 (2008) 830,000 (2009) 865,000 (2010) (3)	\$37,290,000	\$ 37,290,000	\$34,800,000	\$ 2,490,000
Subtotal Revenue Bonds					<u>37,290,000</u>	<u>37,290,000</u>	<u>34,800,000</u>	<u>2,490,000</u>
Electric Utility Revenue Bonds, Series 2002A	3.00, 3.25, 3.50, 3.75, 4.00, 4.125 4.25, 4.375, 4.50% (12/1)	8/15/2002	12/1/2017	\$ 685,000 (2008) 710,000 (2009) 740,000 (2010) 770,000 (2011) 805,000 (2012) 840,000 (2013) 875,000 (2014) 915,000 (2015) 960,000 (2016) 1,005,000 (2017)	11,275,000	11,275,000	2,970,000	8,305,000
Subtotal Revenue Bonds					<u>11,275,000</u>	<u>11,275,000</u>	<u>2,970,000</u>	<u>8,305,000</u>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Bonds (continued):</u>								
Electric Utility Revenue Bonds, Series 2007C	4, 4.25, 4.5, 5% (12/1)	3/19/2007	12/1/2030	\$ 215,000 (2008) 220,000 (2009) 235,000 (2010) 1,145,000 (2011) 1,190,000 (2012) 1,235,000 (2013) 1,285,000 (2014) 2,305,000 (2015) 2,415,000 (2016) 2,535,000 (2017) 3,710,000 (2018) 3,895,000 (2019) 4,060,000 (2020) 4,225,000 (2021) 4,395,000 (2022) 4,590,000 (2023) 4,800,000 (2024) 5,015,000 (2025) 5,240,000 (2026) 5,475,000 (2027) 5,710,000 (2028) 5,995,000 (2029) 6,295,000 (2030)	\$ 76,680,000	\$ 76,680,000	\$ 495,000	\$ 76,185,000
Subtotal Revenue Bonds					<u>76,680,000</u>	<u>76,680,000</u>	<u>495,000</u>	<u>76,185,000</u>
Total Revenue Bonds					<u>125,245,000</u>	<u>125,245,000</u>	<u>38,265,000</u>	<u>86,980,000</u>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Revenue Notes:</u>								
Electric Utility Note, Note of 2005	3.98% (12/1)	3/10/2005	12/1/2014	\$ 470,000 (2008) 525,000 (2009) 580,000 (2010) 645,000 (2011) 715,000 (2012) 795,000 (2013) 880,000 (2014)	\$ 5,765,000	\$ 5,765,000	\$ 1,155,000	\$ 4,610,000
Subtotal Revenue Notes					<u>5,765,000</u>	<u>5,765,000</u>	<u>1,155,000</u>	<u>4,610,000</u>
<u>Revenue Notes:</u>								
Water Utility Note, Note of 2006	3.80% (12/1)	8/10/2006	12/1/2010	370,000 (2008) 390,000 (2009) 410,000 (2010)	1,525,000	1,525,000	355,000	1,170,000
Subtotal Revenue Notes					<u>1,525,000</u>	<u>1,525,000</u>		<u>1,170,000</u>
Total Revenue Notes					<u>7,290,000</u>	<u>7,290,000</u>	<u>1,155,000</u>	<u>5,780,000</u>

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS		AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Loan Payable</u>									
Energy Loan Payable Note of 2006	4.10% (3/31; 9/30)	6/30/2006	9/30/2018	\$ 385,045 (2008) 400,994 (2009) 417,603 (2010) 434,900 (2011) 452,914 (2012) 471,674 (2013) 491,210 (2014) 511,556 (2015) 532,745 (2016) 554,812 (2017) 577,791 (2018)		\$ 5,715,795	\$ 5,715,795	\$ 484,551	\$ 5,231,244
Total Loan Payable						5,715,795	5,715,795	484,551	5,231,244
<u>Notes Payable:</u>									
Airport Hanger Note of 1998	0% (monthly)	4/1/1998	4/1/2008	4,263 (2008)		175,200	175,200	170,937	4,263
Subtotal Notes Payable						175,200	175,200	170,937	4,263
<u>Notes Payable:</u>									
Airport Hanger Note of 1999	0% (monthly)	12/31/1999	12/31/2009	18,473 (2008) 18,472 (2009)		184,729	184,729	147,784	36,945
Subtotal Notes Payable						184,729	184,729	147,784	36,945

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Notes Payable (continued):</u>								
Airport Hanger Note of 2001	0% (monthly)	8/1/2002	8/1/2012	\$ 21,530 (2008) 21,530 (2009) 21,530 (2010) 21,530 (2011) 14,354 (2012)	\$ 222,400	\$ 215,301	\$ 114,827	\$ 100,474
Subtotal Notes Payable					222,400	215,301	114,827	100,474
<u>Notes Payable:</u>								
Airport Hanger Note of 2006	0% (monthly)	11/1/2006	11/1/2016	26,394 (2008) 26,394 (2009) 26,394 (2010) 26,394 (2011) 26,394 (2012) 26,394 (2013) 26,394 (2014) 26,394 (2015) 21,999 (2016)	263,944	263,944	30,793	233,151
Subtotal Notes Payable					263,944	263,944	30,793	233,151
Total Notes Payable					846,273	839,174	464,341	374,833
<u>Capital Lease Obligations</u>								
Electric Utility Capital Leases	4.46, 1.995% (Qtr., Monthly)	5/5/2006 11/5/2007	6/30/2006 12/9/2010	213,664 (2008) 222,302 (2009) 227,737 (2010)	886,219	886,219	222,516	663,703
Total Capital Lease Obligations					886,219	886,219	222,516	663,703

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF DEBT MATURITIES (CONTINUED)**  
December 31, 2007

	INTEREST RATES AND DATES	ISSUE DATE	FINAL MATURITY DATE	ANNUAL SERIES PAYMENTS	AUTHOR- IZATION	ISSUED	RETIRED	OUTSTANDING
<u>Economic Development</u>								
<u>Authority Revenue Bonds</u>								
Lease Revenue Bonds Series 2007	4.70% (2/1; 8/1)	12/12/2007	2/1/2033	\$ 230,000 (2010) 240,000 (2011) 255,000 (2012) 265,000 (2013) 280,000 (2014) 290,000 (2015) 305,000 (2016) 320,000 (2017) 335,000 (2018) 350,000 (2019) 365,000 (2020) 385,000 (2021) 400,000 (2022) 420,000 (2023) 440,000 (2024) 460,000 (2025) 485,000 (2026) 505,000 (2027) 530,000 (2028) 555,000 (2029) 580,000 (2030) 605,000 (2031) 635,000 (2032) 665,000 (2033)	\$ 9,900,000	\$ 9,900,000	\$	\$ 9,900,000
Total Economic Development Authority Revenue Bonds					<u>9,900,000</u>	<u>9,900,000</u>		<u>9,900,000</u>
<b>TOTAL DEBT PAYABLE</b>					<u><u>\$ 297,116,787</u></u>	<u><u>\$ 297,010,568</u></u>	<u><u>\$ 47,277,277</u></u>	<u><u>\$ 249,378,291</u></u>

- (1) The Taxable Tax Increment Bonds are structured without fixed principal maturities. The payments are equal to the amount of "Available Tax Increments" received by the City within the six month period preceding each payment date. All payments are applied first to pay accrued and unpaid interest and next to reduction of principal.
- (2) The Variable Rate Demand Wastewater Treatment Revenue Bonds are structured without fixed principal maturities. Monthly interest payments will be made however, the principal is not due until maturity.
- (3) In 2007, the 2011 to 2030 maturities of the Electric Utility Revenue Bonds, Series 2000, were defeased in an advanced refunding resulting from the issuance of the Electric Utility Revenue Bonds, Series 2007.

**CITY OF ROCHESTER, MINNESOTA**  
**SCHEDULE OF PERSONNEL EXPENDITURES-ALL FUNDS**  
For the Year Ended December 31, 2007

	Salaries and Wages		Employer Contributions				Total	
	Amount	Pension	Social Security	Group Insurance	Workers' Compensation	Unemployment Compensation	Other (1) Contributions	Wages and Contributions
<u>Government and Fiduciary Fund Types</u>								
General Government	\$ 3,804,200	\$ 230,027	\$ 268,955	\$ 778,666	\$ 2,590	\$ 28	\$ 8,587	\$ 5,093,053
Police	10,056,765	1,102,790	178,478	2,071,182	46,442	503	22,806	13,478,966
<u>Public Safety</u>								
Communications	1,313,325	81,621	96,991	286,084	666		4,117	1,782,804
Fire	7,109,557	797,472	96,005	1,454,337	43,877		3,327	9,504,575
<u>Fire Hazmat</u>								
Response Team	38,877	4,549	358		166			43,950
Building Safety	1,671,308	103,169	122,996	403,148	1,638		1,109	2,303,368
Animal Control	156,233	9,761	11,639	43,530	1,145			222,308
Flood Control	104,496	5,881	7,620	12,056	472	4,439		134,964
Public Works	5,074,406	314,890	371,277	1,034,772	31,484	11,449	6,626	6,844,904
Music	251,590	15,551	18,579	57,335	186	(17)	694	343,918
Library	3,209,441	189,602	238,317	547,766	3,527		9,273	4,197,926
Park and Recreation	4,898,377	255,684	360,599	959,983	26,649	12,978	2,006	6,516,276
<b>TOTAL</b>	<b>\$37,688,575</b>	<b>\$3,110,997</b>	<b>\$1,771,814</b>	<b>\$7,648,859</b>	<b>\$ 158,842</b>	<b>\$ 29,380</b>	<b>\$ 58,545</b>	<b>\$50,467,012</b>
<u>Proprietary Fund Types</u>								
Parking	\$ 229,876	\$ 14,135	\$ 16,865	\$ 59,690	\$ 1,456	\$	\$ 406	\$ 322,428
Electric Utility	12,773,239	771,896	924,597	2,312,487	169,385	9,646	4,288	16,965,538
Water Utility	1,395,049	83,657	102,103	282,511	57,019		353	1,920,692
Sewer Utility	1,901,530	117,391	138,541	492,581	13,925		1,129	2,665,097
Storm Water Utility	353,596	21,012	26,830	53,169	306		864	455,777
<b>TOTAL</b>	<b>\$16,653,290</b>	<b>\$1,008,091</b>	<b>\$1,208,936</b>	<b>\$3,200,438</b>	<b>\$ 242,091</b>	<b>\$ 9,646</b>	<b>\$ 7,040</b>	<b>\$22,329,532</b>

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

# CITY OF ROCHESTER, MINNESOTA

## STATISTICAL SECTION

DECEMBER 31, 2007

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

<b><u>Content</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	100
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	108
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	113
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	116
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	119

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

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<b>Expenses</b>						
Governmental activities:						
General government	\$ 6,878,399	\$ 6,487,386	\$ 6,064,465	\$ 5,903,311	\$ 5,734,481	\$ 5,851,253
Public safety	33,168,820	31,767,951	28,164,368	27,197,802	27,005,418	24,902,138
Public works	18,210,209	14,268,684	12,249,412	11,869,756	10,830,561	9,151,080
Airport	5,432,334	4,387,112	5,457,037	3,691,508	3,909,745	3,361,247
Transit	3,500,207	3,270,811	3,297,701	2,736,558	2,421,656	2,147,409
Culture	7,023,517	6,611,227	6,443,821	7,910,173	7,133,775	6,205,147
Park and recreation	13,505,054	14,034,860	14,436,903	12,095,905	11,132,117	10,965,066
Economic development/tourism	8,367,880	3,834,472	3,560,176	3,149,558	3,583,394	1,822,976
Community reinvestment/unallocated	350,641	4,708,895	939,928	198,911	413,928	669,016
Interest on long-term debt	747,424	988,639	870,516	1,333,511	1,652,179	1,949,974
Total governmental activities expenses	<u>97,184,485</u>	<u>90,360,037</u>	<u>81,484,327</u>	<u>76,086,993</u>	<u>73,817,254</u>	<u>67,025,306</u>
Business-Type activities:						
Parking	3,327,342	3,088,091	3,138,080	2,963,261	2,978,908	2,846,621
Electric utility	138,769,304	117,966,938	97,352,275	92,520,009	90,481,982	80,739,625
Water utility	6,921,476	6,765,775	6,096,397	5,731,981	5,395,691	4,280,928
Sewer utility	16,546,960	14,313,983	14,067,892	8,831,583	8,296,896	8,491,759
Storm water utility	2,809,129	3,031,398	2,524,057	1,899,924		
Total business-type activities expenses	<u>168,374,211</u>	<u>145,166,185</u>	<u>123,178,701</u>	<u>111,946,758</u>	<u>107,153,477</u>	<u>96,358,933</u>
Total primary government expenses	<u>\$ 265,558,696</u>	<u>\$ 235,526,222</u>	<u>\$ 204,663,028</u>	<u>\$ 188,033,751</u>	<u>\$ 180,970,731</u>	<u>\$ 163,384,239</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 475,122	\$ 445,062	\$ 440,710	\$ 508,946	\$ 451,376	\$ 489,957
Public safety	5,276,766	5,729,159	6,020,036	5,787,232	4,522,238	4,059,986
Public works	266,410	212,015	240,393	254,291	429,059	362,252
Airport	2,936,705	2,647,146	2,586,232	2,392,001	2,305,849	2,194,399
Transit	185,476	150,853	61,994	65,675	86,919	89,054
Culture	359,394	350,637	373,127	323,362	282,398	281,685
Park and recreation	5,664,465	5,212,280	5,295,126	5,415,854	4,828,787	4,666,340
Economic development/tourism	50,984	63,375	5,104	10,000	49,097	39,000
Operating grants and contributions	6,857,250	6,797,593	7,059,210	7,107,431	5,454,108	5,638,107
Capital grants and contributions	23,698,012	34,407,050	37,406,085	31,083,644	32,661,685	26,777,358
Total governmental activities program revenues:	<u>45,770,584</u>	<u>56,015,170</u>	<u>59,488,017</u>	<u>52,948,436</u>	<u>51,071,516</u>	<u>44,598,138</u>
Business-type activities:						
Charges for services:						
Parking	4,191,797	3,876,103	3,670,386	3,700,360	3,545,223	3,403,739
Electric utility	156,772,451	130,723,369	112,432,402	102,339,632	99,090,742	90,633,880
Water utility	8,273,714	7,747,854	7,047,596	6,475,669	6,368,057	5,707,107
Sewer utility	13,234,276	11,394,102	10,208,056	9,407,148	9,487,546	8,985,231
Storm water utility	3,470,521	4,219,736	3,822,275	3,082,517		
Operating grants and contributions						6,922
Capital grants and contributions	2,066,552	5,510,770	13,946,513	16,514,378	3,231,367	1,339,950
Total business-type activities program revenues	<u>188,009,311</u>	<u>163,471,934</u>	<u>151,127,228</u>	<u>141,519,704</u>	<u>121,722,935</u>	<u>110,076,829</u>
Total primary government program revenues	<u>\$ 233,779,895</u>	<u>\$ 219,487,104</u>	<u>\$ 210,615,245</u>	<u>\$ 194,468,140</u>	<u>\$ 172,794,451</u>	<u>\$ 154,674,967</u>

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
<b>Net (Expense) Revenue</b>						
Governmental Activities	\$ (51,413,901)	(34,344,867)	\$ (22,266,524)	\$ (23,138,557)	\$ (22,745,738)	\$ (22,427,168)
Business-type activities	19,635,100	18,305,749	27,948,527	29,572,946	14,569,458	13,717,896
Total primary government net revenue	<u>\$ (31,778,801)</u>	<u>\$ (16,039,118)</u>	<u>\$ 5,682,003</u>	<u>\$ 6,434,389</u>	<u>\$ (8,176,280)</u>	<u>\$ (8,709,272)</u>
<b>General Revenues and Other Changes</b>						
<b>In Net Assets</b>						
Governmental activities:						
Taxes						
General property taxes	\$ 35,000,100	\$ 32,917,358	\$ 29,975,840	\$ 26,767,245	\$ 22,420,404	\$ 20,474,967
Tax increments collection (refund)	1,299,451	1,191,508	1,234,488	(1,595,672)	4,055,894	3,052,017
Sales tax	9,720,049	9,196,080	8,767,156	8,614,955	8,220,946	7,921,644
Nonproperty taxes	4,685,569	4,391,370	4,028,109	3,756,385	3,617,969	3,076,488
Unrestricted grants and contributions	7,805,835	7,166,725	7,909,168	9,044,063	10,416,306	11,798,019
Interest earnings	6,680,418	5,623,033	3,797,186	3,387,331	3,997,386	4,773,255
Gain on disposition of property	1,719,959	108,549				
Net increase (decrease) in the fair value of investments	2,719,499	883,248	(607,192)	(569,493)	(835,075)	(179,625)
Miscellaneous	132,821	124,415	203,936		1,692,941	715,046
Transfers	1,830,010	10,414,727	8,324,956	(67,769,519)	(32,179,691)	8,622,994
Total governmental activities	<u>71,593,711</u>	<u>72,017,013</u>	<u>63,633,647</u>	<u>(18,364,705)</u>	<u>21,407,080</u>	<u>60,254,805</u>
Business-type activities:						
Taxes:						
General property taxes				98	235,464	229,529
Unrestricted grants and contributions	480,253	9,796	9,796	9,796	31,509	32,939
Interest earnings	5,692,584	3,292,735	3,187,157	1,325,304	1,172,064	1,604,523
Net increase (decrease) in the fair value of investments	819,635	326,437	(287,211)	(207,523)	(167,200)	(37,800)
Miscellaneous	(615,399)	1,351,962	283,893	1,738,514	259,370	87,445
Transfers	(1,830,010)	(10,414,727)	(8,324,956)	67,769,519	32,179,691	(8,622,994)
Total business-type activities	<u>4,547,063</u>	<u>(5,433,797)</u>	<u>(5,131,321)</u>	<u>70,635,708</u>	<u>33,710,898</u>	<u>(6,706,358)</u>
Total primary government	<u>\$ 76,140,774</u>	<u>\$ 66,583,216</u>	<u>\$ 58,502,326</u>	<u>\$ 52,271,003</u>	<u>\$ 55,117,978</u>	<u>\$ 53,548,447</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 20,179,810	37,672,146	\$ 41,367,123	\$ (41,503,262)	\$ (1,338,658)	\$ 37,827,637
Business-type activities	24,182,163	12,871,952	22,817,206	100,208,654	48,280,356	7,011,538
Total primary government	<u>\$ 44,361,973</u>	<u>\$ 50,544,098</u>	<u>\$ 64,184,329</u>	<u>\$ 58,705,392</u>	<u>\$ 46,941,698</u>	<u>\$ 44,839,175</u>

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

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

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General fund										
Reserved	\$ 522,548	\$ 278,233	\$ 247,167	\$ 204,663	\$ 168,106	\$ 1,000,268	\$ 87,853	\$ 110,703	\$ 155,446	\$ 193,212
Unreserved	21,191,433	19,049,670	18,523,007	16,623,301	14,355,909	15,108,702	16,330,831	16,734,379	14,870,175	13,764,947
Total general fund	<u>21,713,981</u>	<u>19,327,903</u>	<u>18,770,174</u>	<u>16,827,964</u>	<u>14,524,015</u>	<u>16,108,970</u>	<u>16,418,684</u>	<u>16,845,082</u>	<u>15,025,621</u>	<u>13,958,159</u>
All other governmental funds										
Reserved	33,041,168	43,485,369	55,787,032	34,777,175	31,719,292	60,077,820	11,698,481	20,392,105	11,586,191	7,519,278
Unreserved, reported in:										
Special revenue funds	7,752,101	6,881,281	6,427,946	5,764,579	5,258,039	5,546,715	4,977,218	6,075,739	6,437,385	5,969,670
Capital projects funds	53,197,187	21,619,691	17,265,911	34,799,074	29,901,889	20,512,488	67,219,762	62,117,181	40,865,771	47,265,610
Total all other governmental funds	<u>93,990,456</u>	<u>71,986,341</u>	<u>79,480,889</u>	<u>75,340,828</u>	<u>66,879,220</u>	<u>86,137,023</u>	<u>83,895,461</u>	<u>88,585,025</u>	<u>58,889,347</u>	<u>60,754,558</u>
Total governmental funds	<u>\$115,704,437</u>	<u>\$91,314,244</u>	<u>\$98,251,063</u>	<u>\$ 92,168,792</u>	<u>\$ 81,403,235</u>	<u>\$102,245,993</u>	<u>\$100,314,145</u>	<u>\$105,430,107</u>	<u>\$73,914,968</u>	<u>\$74,712,717</u>

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues</b>										
General property taxes	\$ 34,885,591	\$ 32,747,658	\$ 29,970,540	\$ 26,897,971	\$ 22,507,887	\$ 20,192,571	\$ 18,897,696	\$ 17,348,234	\$ 15,990,059	\$ 15,539,076
Tax increments collections (refund)	1,299,451	1,191,508	1,234,488	(1,595,672)	4,055,894	3,052,017	4,299,961	3,943,496	3,524,237	3,872,985
Sales tax	9,720,049	9,196,080	8,767,156	8,614,955	8,220,946	7,921,644	8,213,568	7,632,710	7,202,706	6,726,290
Special assessments	1,872,185	2,837,271	1,906,295	2,278,962	2,941,526	1,221,268	1,305,103	2,043,747	1,888,653	2,147,732
Utility connection and availability	174,075	3,157,467	2,954,785	3,403,538	2,747,797	1,831,062	1,667,076	2,029,107	4,404	
Nonproperty taxes	4,685,569	4,391,370	4,028,109	3,756,385	3,617,969	3,076,488	2,886,254	3,333,724	2,220,108	2,178,786
Licenses and permits	2,810,859	3,289,288	3,570,176	3,386,298	2,284,715	2,181,469	2,779,127	2,805,189	2,588,584	2,089,061
Fines and forfeits	513,192	427,241	402,795	489,227	489,804	490,632	476,688	444,225	423,285	354,644
Intergovernmental revenues	24,742,193	22,573,306	32,664,845	24,944,012	25,216,442	23,828,884	21,057,678	28,908,979	24,024,813	21,174,093
Charges for services	12,527,566	11,682,523	11,595,069	11,401,301	10,714,301	10,038,377	8,182,950	7,950,457	7,485,728	6,932,927
Contributions in aid of construction	1,227,075	4,833,843	2,749,763	3,237,156	2,086,774	4,384,107				
Interest earnings	5,627,588	4,827,415	3,321,326	3,020,843	3,543,879	4,133,294	6,272,502	5,119,395	3,880,090	3,890,479
Net increase (decrease) in the fair value of investments	2,183,099	730,848	(489,892)	(465,593)	(699,075)	(135,125)	716,724	1,470,648	(1,572,945)	137,357
Miscellaneous revenues	3,173,243	1,167,761	1,158,206	1,417,577	1,876,140	1,591,942	4,134,439	9,437,229	2,965,683	4,957,035
<b>Total Revenues</b>	<b>105,441,735</b>	<b>103,053,579</b>	<b>103,833,661</b>	<b>90,786,960</b>	<b>89,604,999</b>	<b>83,808,630</b>	<b>80,889,766</b>	<b>92,467,140</b>	<b>70,625,405</b>	<b>70,000,465</b>
<b>EXPENDITURES</b>										
General government	6,368,922	5,964,505	5,403,334	5,100,229	5,018,922	5,207,735	4,500,540	4,291,500	4,013,736	3,667,678
Public safety	31,350,259	29,955,158	27,667,124	26,002,843	25,530,479	23,951,743	22,325,851	20,479,801	19,469,713	18,939,105
Public works	9,120,258	7,682,125	7,754,287	7,394,724	8,794,145	8,847,715	8,645,837	7,911,352	6,980,592	6,712,941
Airport operations	3,105,049	2,734,471	2,860,315	2,569,762	2,486,053	2,383,311	2,015,307	1,869,128	1,846,572	1,665,715
Transit	2,828,406	2,649,879	2,749,219	2,275,346	2,078,501	1,948,980	1,828,335	1,684,250	1,238,425	1,296,025
Culture	6,658,566	6,390,860	6,004,368	5,620,173	5,097,913	5,351,559	4,878,679	4,512,499	4,309,674	4,064,876
Park and recreation	10,929,854	10,357,189	10,079,101	9,308,479	8,628,398	8,886,606	8,744,654	8,284,079	7,678,182	7,138,295
Economic development/tourism	2,457,602	2,218,788	2,509,103	2,262,933	2,046,331	1,819,950	813,489	823,529	786,822	626,747
Community reinvestment and unallocated	352,345	469,416	284,907	196,943	411,960	667,048	313,907	327,287	217,714	166,711
Debt service										
Interest	808,672	1,204,347	871,820	1,044,521	1,493,986	1,910,709	2,079,614	1,168,545	640,866	611,983
Principal	8,043,363	3,237,648	420,979	2,764,417	19,235,385	1,128,951	1,011,005	2,222,650	2,399,887	1,458,149
Capital outlay	18,346,025	58,045,351	44,461,829	27,672,306	39,032,035	31,122,527	38,205,144	45,753,554	29,361,388	21,728,386
<b>Total Expenditures</b>	<b>100,369,321</b>	<b>130,909,737</b>	<b>111,066,386</b>	<b>92,212,676</b>	<b>119,854,108</b>	<b>93,226,834</b>	<b>95,362,362</b>	<b>99,328,174</b>	<b>78,943,571</b>	<b>68,076,611</b>
Excess (deficiency) of revenues over (under) expenditures	5,072,414	(27,856,158)	(7,232,725)	(1,425,716)	(30,249,109)	(9,418,204)	(14,472,596)	(6,861,034)	(8,318,166)	1,923,854
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from borrowing	9,900,000	5,979,739				2,505,252	968,722	27,625,000	506,029	2,146,732
Transfers in	23,434,123	20,006,124	16,745,551	19,070,845	29,737,413	16,367,193	13,844,499	18,138,232	12,334,517	10,877,861
Transfers out	(14,016,344)	(5,066,524)	(3,787,385)	(6,879,572)	(20,331,062)	(7,799,215)	(5,430,327)	(7,417,817)	(4,692,640)	(3,873,499)
<b>Total other financing sources (uses)</b>	<b>19,317,779</b>	<b>20,919,339</b>	<b>12,958,166</b>	<b>12,191,273</b>	<b>9,406,351</b>	<b>11,073,230</b>	<b>9,382,894</b>	<b>38,345,415</b>	<b>8,147,906</b>	<b>9,151,094</b>
<b>Net change in fund balances</b>	<b>\$ 24,390,193</b>	<b>\$ (6,936,819)</b>	<b>\$ 5,725,441</b>	<b>\$ 10,765,557</b>	<b>\$ (20,842,758)</b>	<b>\$ 1,655,026</b>	<b>\$ (5,089,702)</b>	<b>\$ 31,484,381</b>	<b>\$ (170,260)</b>	<b>\$ 11,074,948</b>
Debt service as a percentage of noncapital expenditures	10.89%	6.16%	1.96%	5.96%	25.84%	4.96%	5.48%	6.41%	6.22%	4.52%

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

Payable Year	Real Property		Personal Property		Total Tax Capacity (1)	City Tax Rate %	Total Estimated Market Value (1)	% of Tax Capacity to Total Estimated Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value				
1999	\$ 54,102,977	\$ 3,096,167,400	\$ 631,540	\$ 18,304,469	\$ 54,734,517	30.961	\$ 3,114,471,869	1.76
					52,080,784		2,992,047,069	1.74
2000	59,455,277	3,444,768,100	654,431	19,503,400	60,109,708	30.840	3,464,271,500	1.74
					57,186,771		3,308,032,200	1.73
2001	67,070,403	3,873,614,700	622,362	18,559,600	67,692,765	29.558	3,892,174,300	1.74
					64,293,994		3,672,366,000	1.75
2002	56,758,188	4,526,307,800	394,054	19,550,600	57,152,242	41.376	4,545,858,400	1.26
					54,427,635		4,283,599,300	1.27
2003	63,783,214	5,158,173,100	493,262	24,938,100	64,276,476	40.873	5,183,111,200	1.24
					61,120,057		4,866,060,700	1.26
2004	69,480,548	5,722,379,100	510,278	25,454,100	69,990,826	40.743	5,747,833,200	1.22
					66,852,309		5,448,462,400	1.23
2005	78,600,356	6,390,285,710	610,070	29,020,600	79,210,426	41.620	6,419,306,310	1.23
					78,104,210		6,403,581,010	1.22
2006	85,437,761	7,002,553,700	679,693	34,513,900	86,117,454	41.672	7,037,067,600	1.22
					84,983,357		7,015,198,500	1.21
2007	90,949,329	7,512,154,400	822,074	41,718,600	91,771,403	41.707	7,553,873,000	1.21
					90,567,262		7,530,242,600	1.20
2008	95,794,200	7,901,523,500	688,498	35,004,300	96,482,698	42.455	7,936,527,800	1.22
					95,077,087		7,910,965,100	1.20

(1) Second amounts are net of Tax Increment.

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

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

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

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

Fiscal Year	City Direct Rate	Overlapping Rates		
		Range of Tax Rates for Independent School Districts 531, 534 & 535	Olmsted County	Range of Total Direct and Overlapping Tax Rates
1999	30.961 %	59.386 - 59.386	% 47.138 %	137.485 - 137.485 %
2000	30.840	54.760 - 60.084	46.645	132.245 - 137.569
2001	29.558	53.146 - 55.408	44.642	127.346 - 129.608
2002	41.376	27.961 - 33.274	58.608	127.945 - 133.258
2003	40.873	26.417 - 34.539	57.057	124.347 - 132.469
2004	40.743	25.966 - 36.121	55.782	122.491 - 132.646
2005	41.620	25.388 - 26.697	51.786	118.794 - 120.103
2006	41.672	23.695 - 24.881	50.831	116.198 - 117.384
2007	41.707	22.670 - 38.666	51.957	116.334 - 132.330
2008	42.455	21.801 - 37.766	52.454	116.710 - 132.675

Source: Olmsted County Assessor

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

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

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

Taxpayers (1)	2007			1998		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Mayo Properties	\$4,511,701	1	4.98 %	\$ 6,477,537	1	11.21 %
Sunstone-Kahler	967,674	2	1.07	718,428	5	1.24
MEPC-Apache Properties	933,424	3	1.03	1,345,796	3	2.33
IBM Corporation	825,237	4	0.91	1,499,972	2	2.60
IRET Properties	524,832	5	0.58			
Mortenson Properties	477,958	6	0.53	467,882	7	0.81
Utilicorp United	345,814	7	0.38			
Campbell Hotel Company	327,542	8	0.36			
NNN 3050 Superior LLC	318,218	9	0.35			
Leslie E Nelson	311,912	10	0.34	349,922	9	0.61
Target Corporation				352,184	8	0.61
BGD5 - LTD Partnership				879,098	4	1.52
Seneca Foods				475,198	6	0.82
Wal-Mart Stores, Inc				315,782	10	0.55
<b>TOTAL</b>	<u>\$9,544,312</u>		<u>10.53 %</u>	<u>\$12,881,799</u>		<u>22.30 %</u>

(1) Source: Olmsted County Assessor

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

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date (2)		Total Delinquent Taxes (3)	Delinquent Taxes As A % Of Total Net Tax Levy
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy		
1998	\$ 20,048,860	\$ 15,678,086	\$ 15,543,788	99.14%	\$ 74,394	\$ 15,618,182	99.62%	\$ 349	0.00
1999	20,455,732	16,087,180	15,997,336	99.44	76,633	16,073,969	99.92	378	0.00
2000	21,969,974	17,600,000	17,374,147	98.72	204,050	17,578,197	99.88	1,002	0.01
2001	23,341,910	18,970,957	18,847,216	99.35	106,318	18,953,534	99.91	541	0.00
2002	22,480,055	20,438,982	20,263,091	99.14	155,128	20,418,219	99.90	2,879	0.01
2003	24,950,756	22,867,100	22,510,212	98.44	308,626	22,818,838	99.79	(7,366)	(0.03)
2004	27,189,112	25,100,811	24,842,761	98.97	165,093	25,007,854	99.63	9,690	0.04
2005	32,370,616	30,167,456	29,854,020	98.96	115,865	29,969,885	99.35	44,219	0.15
2006	35,159,505	32,947,173	32,528,890	98.73	198,927	32,727,817	99.33	73,870	0.22
2007	37,438,500	35,219,727	34,649,500	98.38		34,649,500	98.38	385,282	1.09

(1) Tax Levy adjusted for HACA in 1998-2001 and market value credit in 2002-2007.

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

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

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

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

<b>Electricity (in millions of Kilowatt Hours)</b>	<b>Fiscal Year</b>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Type of Customer</b>										
Residential	343	334	327	300	305	303	281	267	262	246
General Service	641	624	609	593	601	608	589	565	531	503
Industrial Service	308	293	286	271	250	243	242	245	233	220
Street & Highway Lighting	7	7	7	7	7	7	7	7	7	7
Rental Lights	1	1	1	1	1	1	1	0	0	0
Interdepartmental Service	9	9	8	8	9	8	8	8	8	8
<b>Total KWH</b>	<b>1,309</b>	<b>1,268</b>	<b>1,238</b>	<b>1,180</b>	<b>1,173</b>	<b>1,170</b>	<b>1,128</b>	<b>1,092</b>	<b>1,041</b>	<b>984</b>
Total direct rate per Kilowatt Hour	\$ 0.089	\$ 0.081	\$ 0.073	\$ 0.071	\$ 0.069	\$ 0.069	\$ 0.067	\$ 0.067	\$ 0.065	\$ 0.065

<b>Water (in millions of gallons)</b>	<b>Fiscal Year</b>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Type of Customer</b>										
Residential	2,379	2,375	2,246	2,058	2,479	2,116	2,134	2,026	1,903	1,909
Commercial Service	1,654	1,594	1,543	1,484	1,579	1,533	1,527	1,466	1,410	1,398
Industrial Service	534	575	524	577	525	588	759	812	1,047	1,013
Interdepartmental Service	198	136	111	189	82	34	41	42	47	26
<b>Total gallons</b>	<b>4,765</b>	<b>4,680</b>	<b>4,424</b>	<b>4,308</b>	<b>4,665</b>	<b>4,271</b>	<b>4,461</b>	<b>4,346</b>	<b>4,407</b>	<b>4,346</b>
Total direct rate per 1,000 gallons	\$ 1.606	\$ 1.529	\$ 1.474	\$ 1.395	\$ 1.279	\$ 1.259	\$ 1.214	\$ 1.107	\$ 1.012	\$ 0.974

<b>Sanitary Sewer ( in millions of gallons)</b>	<b>Fiscal Year</b>									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Type of Customer</b>										
Residential	1,586	1,637	1,622	1,640	1,690	1,653	1,587	1,578	1,518	1,469
Commercial	1,683	1,787	1,703	1,725	1,739	1,807	1,806	1,769	1,703	1,622
Industrial	697	722	689	981	982	951	1,086	1,015	1,566	1,101
<b>Total gallons</b>	<b>3,966</b>	<b>4,146</b>	<b>4,014</b>	<b>4,346</b>	<b>4,411</b>	<b>4,411</b>	<b>4,479</b>	<b>4,362</b>	<b>4,787</b>	<b>4,192</b>
Total direct rate per 1,000 gallons	\$ 2.096	\$ 1.895	\$ 1.744	\$ 1.673	\$ 1.702	\$ 1.660	\$ 1.620	\$ 1.581	\$ 1.542	\$ 1.504

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

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

**Governmental Activities**

Fiscal Year	Sales Tax Bonds	Sales Tax Note	Tax Increment Bonds	Airport Hangar Notes	REDA Lease Revenue Bonds	Energy Improvement Loan	Total Governmental Activities Debt
1998	\$	\$	\$ 12,667,080	\$ 162,051	\$	\$	\$ 12,829,131
1999			10,606,025	329,248			10,935,273
2000	27,625,000		8,419,380	293,243			36,337,623
2001	28,383,673		7,444,380	467,287			36,295,340
2002	28,383,673	2,500,000	6,358,611	429,357			37,671,641
2003	10,458,673	2,399,000	5,206,761	371,822			18,436,256
2004	10,458,673	2,295,000	2,603,879	314,287			15,671,839
2005	10,258,673	2,188,000	2,547,435	256,752			15,250,860
2006	7,275,130	2,078,000	2,465,264	458,762		5,715,795	17,992,951
2007		1,965,000	2,378,511	374,832	9,900,000	5,231,245	19,849,588

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

- 1 City City issued \$49,955,000 Waste Water Revenue Bonds and \$76,680,000 of Electric Utility Bonds (\$30,165,000 to retire Series 2000A Electric Utility Bond).
- 2 Includes general bonded debt, other governmental activities debt, blended component unit debt and business-type activities debt.

See Schedule 15 for personal income and population data.

**Business-Type Activities**

Electric/Water Revenue Bonds/Notes	Wastewater Utility Bonds	Electric Notes Payable	Total Business Activities Debt <sup>1</sup>	Total Primary Government Debt <sup>2</sup>	Percentage of Personal Income	Per Capita
\$	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000	\$ 14,829,131	0.60%	\$ 185
	9,450,000	800,000	10,250,000	21,185,273	0.80%	258
37,290,000	8,875,000	600,000	46,765,000	83,102,623	2.91%	968
36,715,000	8,275,000	400,000	45,390,000	81,685,340	2.62%	919
47,390,000	7,620,000	200,000	55,210,000	92,881,641	3.01%	1,018
46,315,000	6,890,000		53,205,000	71,641,256	2.20%	770
45,050,000	89,855,000		134,905,000	150,576,839	4.34%	1,588
49,160,000	89,070,000		138,230,000	153,480,860	4.25%	1,579
48,935,000	87,920,000		136,855,000	154,847,951	4.05%	1,570
92,760,000	136,105,000		228,865,000	248,714,588	N/A	2,466

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

**General Bonded Debt Outstanding**

Fiscal Year	Sales Tax Bonds	Tax Increment Bonds	Airport Hangar Notes	Wastewater Utility Bonds	Total	Less: Available In Debt Service	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
1998	\$	\$ 12,667,080	\$ 162,051	\$ 10,000,000	\$ 22,829,131	\$ (1,026,094)	\$ 21,803,037	0.70 %	\$ 272
1999		10,606,025	329,248	9,450,000	20,385,273	(256,293)	20,128,980	0.58	245
2000	27,625,000	8,419,380	293,243	8,875,000	45,212,623	(3,705)	45,208,918	1.16	527
2001	28,383,673	7,444,380	467,287	8,275,000	44,570,340	(3,056)	44,567,284	0.98	502
2002	30,883,673	6,358,611	429,357	7,620,000	45,291,641	(3,056)	45,288,585	0.87	496
2003	12,857,673	5,206,761	371,822	6,890,000	25,326,256	(642)	25,325,614	0.44	272
2004	12,753,673	2,603,879	314,287	89,855,000	105,526,839	(549)	105,526,290	1.64	1,113
2005	12,446,673	2,547,435	256,752	89,070,000	104,320,860		104,320,860	1.48	1,073
2006	9,353,130	2,465,264	458,762	87,920,000	100,197,156	(107,469)	100,089,687	1.33	1,015
2007	1,965,000	2,378,511	374,832	136,105,000	140,823,343	(241,256)	140,582,087	1.77	1,394

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

See Schedule 15 for personal income and population data

See Schedule 5 for estimated market value information

Source: City of Rochester Finance Department

**CITY OF ROCHESTER, MINNESOTA**  
**COMPUTATION OF DIRECT AND INDIRECT GENERAL OBLIGATION BONDED DEBT**  
**AND LEGAL DEBT MARGIN**  
December 31, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Independent School District #531	\$ 32,117,429	0.16%	\$ 51,388
Independent School District #534	14,128,244	9.08%	1,282,845
Independent School District #535	88,670,267	83.49%	74,030,806
<b>Other debt</b>			
Olmsted County	44,710,074	70.14%	31,359,646
Independent School District #534	1,212,470	9.08%	110,092
Subtotal, overlapping debt			106,834,777
<b>City direct debt</b>	19,849,588		19,849,588
<b>Total direct and overlapping debt</b>			<u><u>\$ 126,684,365</u></u>

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

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

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

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

**Legal Debt Margin Calculation for the Fiscal Year 2007**

Market Value	\$ 7,936,528
Debt Limit (2% of market value)	<u>158,731</u>
Debt applicable to limit:	
Energy improvement loan	5,231
Less: Amount set aside for repayment of energy improvement loan	<u>(241)</u>
Total net debt applicable to limit	<u>4,990</u>
Legal debt margin	<u><u>\$ 153,741</u></u>

	<b>Fiscal Year</b>									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	\$158,731	\$151,077	\$140,741	\$128,387	\$114,957	\$ 103,662	\$ 90,917	\$ 77,843	\$ 69,285	\$47,514
Total net debt applicable to limit	<u>4,990</u>	<u>5,609</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Legal debt margin	\$153,741	\$145,468	\$140,741	\$128,387	\$114,957	\$ 103,662	\$ 90,917	\$ 77,843	\$ 69,285	\$47,514
Total net debt applicable to the limit as a percentage of debt limit	3.14%	3.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Electric Utility Bonds						Sewer Utility Bonds						Airport T-Hanger Notes					
	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Service Charges & Taxes	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	Airport Hangar Rental	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
	\$	\$	\$	\$	\$		\$	\$	\$	\$	\$		\$	\$	\$	\$	\$	
1998							8,110	4,578	3,532	700	1,043	2.03	23		23	13		1.77
1999							9,095	4,874	4,220	550	554	3.82	27		27	18		1.51
2000							8,819	5,025	3,794	575	529	3.44	39		39	36		1.08
2001	90,193	82,330	7,864	575	1,913	3.16	9,288	5,416	3,871	625	501	3.44	42		42	36		1.17
2002	90,634	81,239	9,395	600	1,887	3.78	9,238	5,076	4,162	655	357	4.11	53		53	43		1.22
2003	99,091	89,449	9,642	1,075	2,431	2.75	9,745	5,866	3,879	730	283	3.83	53		53	58		0.92
2004	102,340	91,257	11,083	1,265	2,251	3.15	9,407	6,000	3,407	770	900	2.04	55		55	58		0.96
2005	112,432	97,047	15,385	1,655	2,414	3.78	10,208	6,587	3,621	785	4,077	0.74	57		57	58		0.99
2006	130,723	117,883	12,840	1,750	2,427	3.07	11,394	6,930	4,464	1,150	4,041	0.86	63		63	62		1.02
2007	156,772	120,945	35,827	2,335	3,252	6.41	13,234	8,354	4,880	1,770	5,634	0.66	65		65	84		0.77

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

SCHEDULE 15

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

<u>YEAR</u>	<u>POPULATION (1)</u>	<u>PERSONAL INCOME</u> (thousands of dollars)	<u>PER CAPITA PERSONAL INCOME (2)</u>	<u>PUBLIC SCHOOL ENROLLMENT (3)</u>	<u>UNEMPLOYMENT RATE (4)</u>
1998	80,186	\$ 2,460,908	\$ 30,690	15,738	1.6%
1999	82,019	2,654,053	32,359	15,568	2.1
2000	85,806	2,855,881	33,283	15,424	2.8
2001	88,858	3,119,804	35,110	15,869	2.7
2002	91,264	3,087,370	33,829	15,936	4.0
2003	93,037	3,256,853	35,006	16,010	4.4
2004	94,820	3,472,214	36,619	15,528	4.1
2005	97,191	3,615,311	37,198	15,449	3.5
2006	98,649	3,819,196	38,715	15,868	3.2
2007	100,845		N/A	16,330	4.0

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

SCHEDULE 16

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

Employer	2006			1998		
	Employees	Rank	Percentage of Total City Employment <sup>(1)</sup>	Employees	Rank	Percentage of Total City Employment
Mayo Clinic	30,000	1	27.50%	N/A	1	N/A
IBM	4,400	2	4.03%	N/A	2	N/A
Rochester Public Schools	2,200	3	2.02%	N/A	3	N/A
Olmsted County	1,181	4	1.08%	N/A	4	N/A
Olmsted Medical Center	1,138	5	1.04%	N/A	5	N/A
Wal-Mart/Sam's Club	1,005	6	0.92%	N/A	6	N/A
Hy-Vee Food Stores	880	7	0.81%	N/A	7	N/A
City of Rochester	847	8	0.78%	N/A	8	N/A
Crenlo	725	9	0.66%	N/A	9	N/A
Sunstone Hotel Properties	650	10	0.60%	N/A	10	N/A

(1) Bureau of Economic Analysis -  
 Rochester MSA 2006 employment

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

<b>Function</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Mayor and Council	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
City Administrator	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.50
Development District Administration	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.50
City Clerk/Elections/Parking Ticket Coll.	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Finance	11.00	11.00	11.00	10.00	11.00	11.00	11.00	11.00	11.00	11.50
City Attorney	11.00	11.00	11.00	10.00	10.00	10.00	9.00	9.00	8.00	8.00
Human Resources	7.17	7.00	6.00	6.00	7.00	7.00	6.63	5.50	5.50	5.00
Information Systems	10.00	10.00	9.00	7.00	9.00	9.00	9.00	8.00	8.00	6.75
Maintenance City Hall	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>General Government</b>	<b>61.17</b>	<b>61.00</b>	<b>59.00</b>	<b>55.00</b>	<b>59.00</b>	<b>60.00</b>	<b>57.63</b>	<b>55.50</b>	<b>54.50</b>	<b>53.25</b>
Police	151.00	145.00	141.33	138.00	143.00	139.00	135.00	135.00	126.50	126.50
Public Safety Communications	25.00	26.00	25.00	25.00	25.00	25.00	25.00	22.20	22.40	20.00
Fire	107.00	107.00	104.00	103.58	105.00	105.00	100.00	95.00	94.00	94.00
Building Safety	26.00	26.00	26.00	25.00	25.00	25.00	22.00	20.00	19.50	18.00
Animal Control	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Flood Control Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Public Safety</b>	<b>315.00</b>	<b>309.00</b>	<b>301.33</b>	<b>296.58</b>	<b>303.00</b>	<b>299.00</b>	<b>287.00</b>	<b>275.20</b>	<b>265.40</b>	<b>261.50</b>
Engineering	35.00	35.00	33.00	33.00	37.00	37.50	36.50	34.50	33.50	31.00
Traffic	9.00	10.00	8.00	8.00	9.00	10.00	9.00	9.00	9.00	10.00
Street and Alley	44.25	44.00	43.75	41.00	44.00	42.00	41.00	40.00	38.00	37.00
<b>Public Works</b>	<b>88.25</b>	<b>89.00</b>	<b>84.75</b>	<b>82.00</b>	<b>90.00</b>	<b>89.50</b>	<b>86.50</b>	<b>83.50</b>	<b>80.50</b>	<b>78.00</b>
Music	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Library	51.75	51.75	50.25	50.25	51.00	50.50	48.00	47.00	47.00	46.00
<b>Total Culture</b>	<b>55.75</b>	<b>55.75</b>	<b>54.25</b>	<b>54.25</b>	<b>55.00</b>	<b>54.50</b>	<b>52.00</b>	<b>50.00</b>	<b>50.00</b>	<b>49.00</b>
Park & Recreation Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Recreation	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Golf	11.00	11.00	11.00	11.00	12.00	12.00	12.00	12.00	11.00	11.00
Tennis Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Volleyball Center	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Graham Arenas	2.00	2.00	2.00	2.00	2.00	1.50	1.50	1.00	1.00	1.00
Parks	28.00	28.00	28.00	26.75	28.00	26.50	26.50	27.00	26.00	25.00
Recreation Center	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Mayo Civic Center	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.00	12.00	12.00
<b>Parks and Recreation</b>	<b>69.00</b>	<b>69.00</b>	<b>69.00</b>	<b>67.75</b>	<b>71.00</b>	<b>69.00</b>	<b>69.00</b>	<b>68.00</b>	<b>66.00</b>	<b>64.00</b>
<b>Total Governmental Activities</b>	<b>589.17</b>	<b>583.75</b>	<b>568.33</b>	<b>555.58</b>	<b>578.00</b>	<b>572.00</b>	<b>552.13</b>	<b>532.20</b>	<b>516.40</b>	<b>505.75</b>
Parking Administration/Operations	4.00	4.00	4.00	5.00	4.00	4.00	4.00	4.00	4.00	2.00
Electric Utility	181.00	181.00	176.00	172.00	172.00	170.00	164.00	165.00	163.00	155.50
Water Utility	20.00	20.00	20.00	20.00	20.00	20.00	19.00	19.00	18.00	24.50
Sewer Utility	37.50	36.00	37.00	37.00	36.00	36.50	36.50	34.50	34.50	35.00
Storm Water Utility	6.00	6.00	5.00	5.00						
<b>Total Business Activities</b>	<b>248.50</b>	<b>247.00</b>	<b>242.00</b>	<b>239.00</b>	<b>232.00</b>	<b>230.50</b>	<b>223.50</b>	<b>222.50</b>	<b>219.50</b>	<b>217.00</b>
<b>Totals for Organization</b>	<b>837.67</b>	<b>830.75</b>	<b>810.33</b>	<b>794.58</b>	<b>810.00</b>	<b>802.50</b>	<b>775.63</b>	<b>754.70</b>	<b>735.90</b>	<b>722.75</b>

Source: City's Adopted Budgets

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

<b>Function/Program</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Police</b>										
Part I crimes	2,835	2,826	2,743	2,873	3,282	3,023	3,483	2,612	2,737	2,852
Part II crimes	4,037	3,903	3,813	4,049	4,331	4,425	4,322	3,866	3,822	3,954
Arrests	3,692	3,350	3,646	4,089	4,492	4,425	4,220	4,641	4,794	5,079
<b>Fire</b>										
Total emergency responses	7,542	6,661	6,543	6,124	5,648	5,669	5,728	4,951	5,187	4,355
EMS responses	4,449	4,481	3,871	3,486	3,136	3,340	3,597	3,414	3,302	2,613
Fire responses	283	268	200	245	284	233	245	336	352	340
<b>Public Works</b>										
Streets resurfaced (miles)	7	20	27	30	27	45	31	31	25	39
Residential snow plowing (miles)	4,320	4,010	4,050	4,000	3,900	3,975	4,000	3,950	3,800	3,700
<b>Airport</b>										
Airline passengers	319,233	296,889	283,113	277,504	278,990	298,500	295,619	310,164	319,745	319,587
Air cargo (millions of pounds)	29.07	28.90	29.60	34.20	31.50	27.50	25.00	23.50	22.20	21.40
<b>Transit</b>										
Passengers (millions)	1.55	1.43	1.43	1.17	1.20	1.21	1.17	1.05	1.00	0.94
Route miles (thousands)	990	953	940	970	951	903	882	782	740	701
<b>Library</b>										
Annual circulation (millions)	1.51	1.47	1.48	1.40	1.38	1.23	1.14	1.07	1.06	1.09
<b>Park &amp; Recreation</b>										
Rounds of golf played	91,484	105,076	90,298	136,000	132,000	136,000	132,000	140,963	135,000	142,000
Hours of arena ice rentals	8,000	2,810	2,900	2,695	2,900	2,695	2,860	2,825	2,820	2,720
Civic center event-days	1,203	1,279	1,348	1,337	1,002	1,301	1,630	2,521	1,441	1,401
<b>Electric Utility</b>										
Number of customers	46,954	46,433	45,586	44,545	43,359	42,295	41,150	39,356	38,261	36,967
Average daily consumption (megawatt hours)	3,584	3,470	3,393	3,232	3,214	3,206	3,093	3,028	2,853	2,695
<b>Water Utility</b>										
Number of customers	36,070	35,527	34,761	33,756	32,721	31,629	30,504	29,256	28,285	27,304
Average daily consumption (millions of gallons)	13.05	12.80	12.12	11.80	12.78	11.70	12.22	11.91	12.08	11.91
<b>Sanitary Sewer Utility</b>										
Gallons of wastewater treated annually (millions of gallons)	5,030	4,904	4,914	5,333	4,805	5,006	4,721	4,475	5,175	4,940

Sources: Various City Department's annual budget workload measurements

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

<b>Function/Program</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	4	4	4	4	4	4	4	3	3	3
Public Works										
Streets (miles)	502	500	483	468	456	440	425	410	380	300
Intersections w/traffic signals	137	139	141	133	130	127	127	123	119	113
Street lights	9,045	8,814	8,299	7,667	7,606	7,329	6,989	6,791	6,351	6,170
Storm sewer (miles)	262	261	254	228	215	202	179	172	161	149
Airport										
9,033' x 150' No./So. runway	1	1	1							
7,533' x 150' No./So. runway				1	1	1	1	1	1	1
7,300' x 150' E/W runway	1	1	1	1	1	1	1	1		
5,200' x 150' E/W runway									1	1
Transit										
Transit buses	50	61	61	46	43	35	35	30	30	26
Bus shelters	60	60	60	60	59	59	59	53	53	53
Library										
Holdings (thousands)	429	435	439	401	370	355	343	337	328	317
Park & Recreation										
Acres of parkland	3,060	3,045	3,030	3,015	3,107	2,915	2,867	2,647	2,600	2,552
Number of parks	101	99	96	94	92	80	77	73	73	71
Number of golf courses	4	4	4	4	4	4	4	4	4	4
Electric Utility										
Miles of distribution line	709	697	678	679	652	631	598	575	547	523
Water Utility										
Miles of watermain	562	557	543	528	487	491	441	424	397	382
Number of fire hydrants	6,598	6,554	6,361	6,189	5,823	5,610	5,342	5,121	4,798	4,602
Sanitary Sewer Utility										
Miles of sanitary sewer	467	466	456	455	436	394	361	349	339	315
Treatment capacity (thousands of gallons)	23,850	19,100	19,100	19,100	19,100	19,100	19,100	19,100	19,100	19,100
Area of City (square miles)	51.89	51.44	50.90	49.26	48.87	46.50	43.40	43.09	40.01	39.69

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

