

CITY OF HIBBING, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2007**

CITY OF HIBBING, MINNESOTA

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CITY OF HIBBING, MINNESOTA

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CITY OF HIBBING, MINNESOTA

**ORGANIZATION
December 31, 2007**

CITY COUNCIL

Mayor	Richard Wolff
Council Members	
Ward A	Dan Marich
Ward B	Patricia Shafer
Ward C	Jack Lund
Ward D	Timothy Harkonen
Ward E	Frank Bigelow
Clerk/Treasurer	Patrick L. Garrity

ADMINISTRATION

Administrator	Brain J. Redshaw
Finance Director	Sherri Lindstrom

APPOINTED

City Assessor	Bruce Sandberg
City Attorney	Richard K. Sellman

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hibbing, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hibbing, 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 of Hibbing, Minnesota's, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Utilities Commission, which represent 89 percent, 97 percent, and 95 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission, is based on the report of the other auditors.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof 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 June 25, 2008, on our consideration of the City of Hibbing, 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 important for assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and infrastructure condition data 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 inquiries 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 Hibbing, Minnesota's basic financial statements. The combining and individual fund financial statements and schedules, and the Hibbing Economic Development Authority's (a component unit) combining financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Hibbing, Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Walker, Hironaka & Hironaka, LLC

June 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

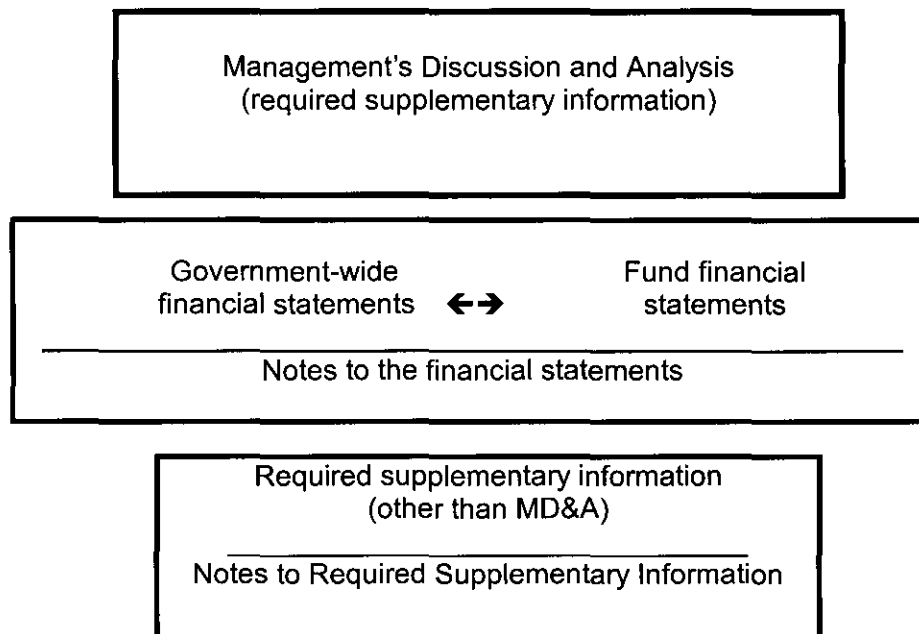
The City of Hibbing, Minnesota's management's discussion and analysis provides an overview of the City's financial activities for the year ended December 31, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City of Hibbing, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$34,172,618, of which \$21,723,226 is invested in capital assets, net of related debt.
- Business-type activities have total net assets of \$12,645,818. Invested in capital assets, net of related debt represents \$14,900,435 of the total.
- The Hibbing Economic Development Authority (EDA) has total net assets of \$1,071,160. Invested in capital assets, net of related debt represents \$(663,916) of the total.
- The City of Hibbing's primary government's net assets increased by \$1,819,486 for the year ended December 31, 2007. The governmental activities' net assets increased \$1,293,053 and the business-type activities' net assets increased by \$526,433.
- The EDA's net assets increased by \$490,518.
- The net cost of governmental activities was \$13,480,294 for the current year. The net cost was funded by general revenues and other items totaling \$14,773,347.
- Governmental funds' fund balances decreased by \$(17,343).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The City of Hibbing, Minnesota's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The management's discussion and analysis (this section) is required to accompany the basic financial statements, and therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

There are two government-wide financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements explain how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information about the City, as a whole, and about its activities in a way that helps the reader determine whether the City's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These government-wide statements report the City's net assets and how they have changed. You can think of the City's net assets — the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors; such as changes in the City's property tax base and state aid and the condition of City's buildings and streets also need to be considered in assessing the overall health of the City.

In the statement of net assets and the statement of activities, activities are shown in the governmental activities, business-type activities or either one of the two component units (EDA or PUC):

- **Governmental activities**—Most of the City's basic services are reported here, including general government, public safety, public works, culture and recreation, economic development, and transportation. Property taxes and state and federal grants and aids finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of services it provides. The City's sewer operations and refuse removal services are reported here.
- **Component Units**—The Hibbing Economic Development Authority (EDA) and the Hibbing Public Utilities Commission (PUC) are reported here. EDA does not prepare separate financial statements. Complete financial statements of the PUC may be obtained from Hibbing Public Utilities Commission, 19th Street and East 6th Avenue, Hibbing, Minnesota 55746.

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting methods.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

- Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net assets increased from \$44,998,950 to \$46,818,436. Looking at the net assets and net expenses of governmental and business-type activities separately, however, reveal differences. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 16,924,134	\$ 16,669,911	\$ (1,432,608)	\$ (2,603,744)	\$ 15,491,526	\$ 14,066,167
Capital assets	24,812,636	24,365,340	25,445,967	24,198,548	50,258,603	48,563,888
Total assets	<u>41,736,770</u>	<u>41,035,251</u>	<u>24,013,359</u>	<u>21,594,804</u>	<u>65,750,129</u>	<u>62,630,055</u>
Long-term debt outstanding	4,047,121	4,979,717	10,486,000	8,609,019	14,533,121	13,588,736
Other liabilities	3,517,031	3,175,969	881,541	866,400	4,398,572	4,042,369
Total liabilities	<u>7,564,152</u>	<u>8,155,686</u>	<u>11,367,541</u>	<u>9,475,419</u>	<u>18,931,693</u>	<u>17,631,105</u>
Net assets						
Invested in capital assets, net of debt	21,723,226	21,005,399	14,900,435	15,553,609	36,623,661	36,559,008
Restricted	2,144,178	2,277,764	-	-	2,144,178	2,277,764
Unrestricted	<u>10,305,214</u>	<u>9,596,402</u>	<u>(2,254,617)</u>	<u>(3,434,224)</u>	<u>8,050,597</u>	<u>6,162,178</u>
Total net assets	<u>\$ 34,172,618</u>	<u>\$ 32,879,565</u>	<u>\$ 12,645,818</u>	<u>\$ 12,119,385</u>	<u>\$ 46,818,436</u>	<u>\$ 44,998,950</u>

Net assets of the City's governmental activities increased 3.9 percent (\$34,172,618 compared to \$32,879,565). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from \$9,596,402 at December 31, 2006, to \$10,305,214 at the end of 2007.

Net assets of the City's business-type activities increased 4.3 percent (\$12,645,818 compared to \$12,119,385) in 2007.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Fees, fines, charges, and other	\$ 1,949,128	\$ 2,244,385	\$ 4,692,887	\$ 4,474,009	\$ 6,642,015	\$ 6,718,394
Operating grants and contributions	1,130,711	1,259,961	-	-	1,130,711	1,259,961
Capital grants and contributions	1,209,875	905,671	323,640	70,000	1,533,515	975,671
General revenues:						
Taxes	6,209,672	5,993,429	-	-	6,209,672	5,993,429
Intergovernmental	8,276,420	7,884,699	-	-	8,276,420	7,884,699
Other general revenues	287,255	296,738	6,774	23,405	294,029	320,143
Total revenues	<u>19,063,061</u>	<u>18,584,883</u>	<u>5,023,301</u>	<u>4,567,414</u>	<u>24,086,362</u>	<u>23,152,297</u>
Program expenses:						
General government	4,152,524	3,759,759	-	-	4,152,524	3,759,759
Public safety	6,026,548	5,390,161	-	-	6,026,548	5,390,161
Public works	4,100,061	3,779,386	-	-	4,100,061	3,779,386
Culture and recreation	2,940,880	2,930,617	-	-	2,940,880	2,930,617
Other	397,532	403,002	-	-	397,532	403,002
Interest	152,463	183,914	-	-	152,463	183,914
Garbage and refuse collection	-	-	2,363,081	2,289,401	2,363,081	2,289,401
Sewer operating and maintenance	-	-	2,129,875	1,942,033	2,129,875	1,942,033
Memorial building concessions	-	-	3,912	2,018	3,912	2,018
Total program expenses	<u>17,770,008</u>	<u>16,446,839</u>	<u>4,496,868</u>	<u>4,233,452</u>	<u>22,266,876</u>	<u>20,680,291</u>
Increase in net assets	<u>\$ 1,293,053</u>	<u>\$ 2,138,044</u>	<u>\$ 526,433</u>	<u>\$ 333,962</u>	<u>\$ 1,819,486</u>	<u>\$ 2,472,006</u>

The City's total revenues increased by 4% (\$934,065). The total cost of all programs and services increased by 7.7% (\$1,586,585). Our analysis below separately considers the operations of governmental, business-type activities, and EDA – Component Unit activity.

Governmental Activities

Revenue for the City's governmental activities increased by 2.6% (\$478,178) while total expenses increased by 8% (\$1,323,169). The increase in net assets for governmental activities was \$1,293,053 in 2007.

The cost of all governmental activities this year was \$17,770,008. As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs (\$1,949,128) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,617,006). Our taxpayers paid \$6,209,672 in taxes in 2007.

Table 3 presents the cost of each of the City's four largest programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these programs.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2007

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Public safety	\$ 6,026,548	\$ 5,390,161	\$ 4,038,593	\$ 3,099,371
General government	4,152,524	3,759,759	3,854,327	3,402,170
Public works	4,100,061	3,779,386	2,693,641	2,764,889
Culture and recreation	2,940,880	2,930,617	2,531,560	2,456,667
Other	397,532	403,002	209,710	129,811
Interest on long-term debt	152,463	183,914	152,463	183,914
Totals	\$ 17,770,008	\$ 16,446,839	\$ 13,480,294	\$ 12,036,822

Business-Type Activities

Revenues of the City's business-type activities were \$5,023,301 and expenses were \$4,496,868 (see Table 2). There was an increase in net assets of \$526,433 during the year ended December 31, 2007. The factors driving these results include:

- Operations produced \$366,723 of income for the year ended December 31, 2007.
- The City received capital grants totaling \$298,640 for the year.
- The City had non-operating bond issuance cost and interest expense totaling \$172,491 for the year.

EDA Component Unit Activity

The EDA had a net increase in net assets of \$490,518 for the year ended December 31, 2007. General revenues such as taxes and grants not restricted to specific programs accounted for \$398,064 of this, with net program revenues over expenses of \$(92,454).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$12,922,080 which is below last year's total of \$12,939,423. Included in this year's total fund balance is a surplus of \$10,725,877 in the City's general fund. The general fund had an increase of \$127,951. The Library Fund recorded an increase of \$22,454 in fund balance. The largest increase in other governmental funds was for \$80,284 in the Permanent Improvement Capital Projects Fund. The largest decrease in other governmental funds was for \$(326,531) in the Capital Equipment and Improvement Capital Projects Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$211,912 above the final budget amounts. The most significant negative variances occurred in the City's public safety (\$481,123) and the debt service - principal (\$214,500) programs. The most significant positive variance (\$573,244) occurred in the City's public works program. Resources available for appropriation were above the final budgeted amounts. The City received more taxes and interest than expected.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had \$50,258,603 invested in a broad range of capital assets, net of accumulated depreciation, including land, land improvements, buildings, infrastructure and equipment. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$1,694,715 over last year.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land, improvements, artwork, gravel roads	\$ 6,324,955	\$ 6,321,283	\$ 130,057	\$ 130,057	\$ 6,455,012	\$ 6,451,340
Buildings and improvements	8,577,784	7,345,013	19,019,677	19,749,709	27,597,461	27,094,722
Infrastructure	6,451,904	6,771,058	448,710	-	6,900,614	6,771,058
Equipment, machinery, and furniture	2,481,819	2,388,967	509,917	345,835	2,991,736	2,734,802
Construction in progress	<u>976,174</u>	<u>1,539,019</u>	<u>5,337,606</u>	<u>3,972,947</u>	<u>6,313,780</u>	<u>5,511,966</u>
Totals	<u>\$ 24,812,636</u>	<u>\$ 24,365,340</u>	<u>\$ 25,445,967</u>	<u>\$ 24,198,548</u>	<u>\$ 50,258,603</u>	<u>\$ 48,563,888</u>

This year's major additions included:

➤ Defibrillator	\$ 13,096
➤ Cemetery buildings and improvements	38,141
➤ City Hall remodeling	44,052
➤ Fire Hall buildings, improvements and equipment	96,123
➤ Fire equipment and vehicles	41,417
➤ Siren system	12,221
➤ Garage pickup	24,046
➤ Public works garage storage building	68,634
➤ Streets and alleys equipment and vehicles	231,320
➤ Library air conditioning	430,359
➤ Memorial Building heating system and doors	11,010
➤ Zamboni	73,120
➤ Memorial Building equipment	9,781
➤ Police equipment and vehicles	123,011
➤ Parks and Recreation buildings, improvements and equipment	76,483
➤ Parks and Recreation vehicles	35,564
➤ Urban street work and sidewalks	1,033,759
➤ Refuse equipment vehicles	250,975
➤ Lift station pump	17,306
➤ Van	19,886
➤ Wastewater treatment plant improvements	1,819,049

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

Debt

At year-end, the City had \$18,536,061 in long-term debt outstanding versus \$17,980,005 last year—as shown in Table 5.

Table 5
Outstanding Debt, at Year-end

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>EDA Component Unit</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds (backed by the City)	\$ 600,000	\$ 320,000	\$ -	\$ -	\$ 3,998,940	\$ 4,391,269
Certificates of indebtedness	943,000	1,160,000	-	-	-	-
Capital leases	1,546,410	1,879,941	-	-	-	-
Police and Fire indebtedness	657,299	1,314,598	-	-	-	-
General obligation revenue notes	-	-	8,121,000	8,591,000	-	-
General obligation revenue bonds	-	-	2,365,000	-	-	-
Compensated absences	300,412	305,178	-	18,019	-	-
Total	<u>\$ 4,047,121</u>	<u>\$ 4,979,717</u>	<u>\$ 10,486,000</u>	<u>\$ 8,609,019</u>	<u>\$ 3,998,940</u>	<u>\$ 4,391,269</u>

The State limits the amount of net debt that the City's can issue to 2 percent of the market value of all taxable property in the City. The City's outstanding qualifying net debt of \$600,000 is significantly below the \$12,609,051 State-imposed limit.

The City had two new debt issues during the year for general obligation bonds, including capital equipment certificates of \$440,000 and a new sewer revenue bond of \$2,365,000.

MODIFIED APPROACH FOR GRAVEL ROADS

The City has elected to use the modified approach to report its gravel roads infrastructure assets. The City anticipated spending a certain amount annually to preserve the condition of these gravel roads to a certain minimal level. Annually the gravel roads condition will be assessed to compare to the level the government has established.

- There was no significant change in the assessed condition of the gravel roads from the previous assessment.
- The current assessed condition compares favorably with the condition level the City has established.
- The estimated annual cost to maintain the gravel roads was \$132,832 as compared to the actual costs during the current year of \$146,959.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2008 budget, tax rates, and fees that will be charged for the business-type activities.

- The State of Minnesota increased the City's local government aid by 6% from the prior year.
- City General Fund expenditures for 2008 are budgeted to increase 4.8% over the 2007 budget.
- Property taxes levies will increase 8.6% for 2008.
- Consistent with the national and global economy, rising health care and fuel costs significantly impact the City's budgets.

The City's 2008 capital budget calls for it to spend another \$1,690,600 for capital projects, principally for the following:

• General government	\$ 94,000
• Public works	386,400
• Public safety	407,200
• Parks and recreation – arena	221,000
• Library	35,000
• Other	453,000
• Cemetery	94,000

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Financial Director, Sherri A. Lindstrom, City of Hibbing, 401 E. 21st Street, Hibbing, Minnesota 55746.

BASIC FINANCIAL STATEMENTS

CITY OF HIBBING, MINNESOTA

STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	EDA	PUC
ASSETS					
Cash and cash equivalents	\$ 10,430,567	\$ 226,518	\$ 10,657,085	\$ 1,598,876	\$ 61,477
Investments	1,705,447	-	1,705,447	403,119	-
Taxes receivable	223,714	-	223,714	118,294	-
Special assessments receivable	116,155	175,720	291,875	-	-
Accounts receivable	385,739	183,826	569,565	5,857	5,252,862
Interest receivable	13,415	-	13,415	-	-
Unbilled revenues	-	-	-	-	2,080,505
Internal balances	2,810,365	(2,810,365)	-	-	-
Due from other governments	286,205	419,645	705,850	-	-
Due from other component units	734,762	337,415	1,072,177	-	-
Due from primary government	-	-	-	140,694	-
Loans receivable	204,103	-	204,103	1,613,286	-
Inventories	-	34,633	34,633	-	1,111,902
Prepaid expenses	13,662	-	13,662	9,950	393,047
Deferred charges	-	-	-	39,522	-
Equity in joint venture	-	-	-	-	8,225,335
Temporarily restricted assets					
Cash and cash equivalents	-	-	-	1,240,748	1,217,784
Capital assets not being depreciated					
Land, improvements, artwork, gravel roads and construction in progress	7,301,129	5,467,663	12,768,792	9,300	711,237
Capital assets net of accumulated depreciation					
Infrastructure	17,990,908	454,390	18,445,298	-	-
Buildings and improvements	20,029,437	26,699,462	46,728,899	1,828,906	7,423,300
Transmissions and distribution system	-	-	-	-	43,518,908
Equipment, machinery, and furniture	8,989,489	2,300,160	11,289,649	301,961	45,152,128
Less: accumulated depreciation	(29,498,327)	(9,475,708)	(38,974,035)	(900,143)	(62,964,490)
TOTAL ASSETS	41,736,770	24,013,359	65,750,129	6,410,370	52,183,995
LIABILITIES					
Accounts payable	124,408	88,554	212,962	23,465	4,880,445
Salaries payable	1,202,076	24,549	1,226,625	-	-
Notes payable	-	-	-	-	1,500,000
Due to other governments	892,803	40,653	933,456	5,662	-
Due to component units	-	140,694	140,694	-	-
Due to primary government	-	-	-	734,762	337,415
Contracts payable	137,334	126,180	263,514	-	-
Customer deposits	-	-	-	11,800	157,741
Other accrued liabilities	3,741	40	3,781	-	291,263
Deferred revenues	1,104,644	174,803	1,279,447	483,012	25,946
Accrued interest payable	52,025	59,532	111,557	81,569	302,829
Compensated absences	-	226,536	226,536	-	418,889
Long-term liabilities					
Due within one year	1,358,423	478,000	1,836,423	440,000	404,273
Due in more than one year	2,688,698	10,008,000	12,696,698	3,558,940	7,270,218
TOTAL LIABILITIES	7,564,152	11,367,541	18,931,693	5,339,210	15,589,019
NET ASSETS					
Invested in capital assets, net of related debt	21,723,226	14,900,435	36,623,661	(663,916)	32,761,083
Restricted for:					
Capital projects	1,501,652	-	1,501,652	-	-
Debt service	424,965	-	424,965	1,305,020	646,744
Other purposes	217,561	-	217,561	59,708	-
Unrestricted	10,305,214	(2,254,617)	8,050,597	370,348	3,187,149
TOTAL NET ASSETS	\$ 34,172,618	\$ 12,645,818	\$ 46,818,436	\$ 1,071,160	\$ 36,594,976

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

**STATEMENT OF ACTIVITIES
Year Ended December 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 4,152,524	\$ 297,182	\$ 1,015	\$ -
Public safety	6,026,548	1,221,322	688,070	78,563
Public works	4,100,061	22,350	253,258	1,130,812
Culture and recreation	2,940,880	395,679	13,141	500
Economic development	148,857	(11,261)	-	-
Transportation	248,675	23,856	175,227	-
Interest on long-term debt	152,463	-	-	-
Total Governmental Activities	17,770,008	1,949,128	1,130,711	1,209,875
Business-type Activities				
Garbage and refuse collection	2,363,081	2,425,608	-	-
Sewer operating and maintenance	2,129,875	2,260,265	-	323,640
Memorial building concessions	3,912	7,014	-	-
Total Business-type Activities	4,496,868	4,692,887	-	323,640
TOTAL PRIMARY GOVERNMENT	\$ 22,266,876	\$ 6,642,015	\$ 1,130,711	\$ 1,533,515
COMPONENT UNITS				
EDA	\$ 609,376	\$ 624,531	\$ 77,299	\$ -
PUC	25,396,516	22,967,348	-	-
TOTAL COMPONENT UNITS	\$ 26,005,892	\$ 23,591,879	\$ 77,299	\$ -

General Revenues

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for specific purposes

Franchise taxes

Tax increment financing

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - JANUARY 1

NET ASSETS - DECEMBER 31

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	EDA	PUC
\$ (3,854,327)	\$ -	\$ (3,854,327)		
(4,038,593)	-	(4,038,593)		
(2,693,641)	-	(2,693,641)		
(2,531,560)	-	(2,531,560)		
(160,118)	-	(160,118)		
(49,592)	-	(49,592)		
(152,463)	-	(152,463)		
<u>(13,480,294)</u>	<u>-</u>	<u>(13,480,294)</u>		
-	62,527	62,527		
-	454,030	454,030		
-	3,102	3,102		
<u>-</u>	<u>519,659</u>	<u>519,659</u>		
<u>(13,480,294)</u>	<u>519,659</u>	<u>(12,960,635)</u>		
			\$ 92,454	\$ -
			<u>-</u>	<u>(2,429,168)</u>
			<u>92,454</u>	<u>(2,429,168)</u>
4,530,360	-	4,530,360	-	-
1,548,733	-	1,548,733	96,984	-
130,579	-	130,579	-	-
-	-	-	143,234	-
8,276,420	-	8,276,420	18,193	-
287,255	6,774	294,029	119,653	102,727
<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
<u>14,773,347</u>	<u>6,774</u>	<u>14,780,121</u>	<u>398,064</u>	<u>102,727</u>
1,293,053	526,433	1,819,486	490,518	(2,326,441)
<u>32,879,565</u>	<u>12,119,385</u>	<u>44,998,950</u>	<u>580,642</u>	<u>38,921,417</u>
<u>\$ 34,172,618</u>	<u>\$ 12,645,818</u>	<u>\$ 46,818,436</u>	<u>\$ 1,071,160</u>	<u>\$ 36,594,976</u>

CITY OF HIBBING, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	<u>General Fund</u>	<u>Library Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,068,619	\$ 114,827	\$ 2,091,318	\$ 10,274,764
Investments	1,705,447	-	-	1,705,447
Taxes receivable	207,302	5,812	10,600	223,714
Special assessments receivable	-	-	116,155	116,155
Accounts receivable	332,121	3,122	50,400	385,643
Interest receivable	13,415	-	-	13,415
Due from other funds	2,810,365	-	-	2,810,365
Due from component unit	734,762	-	-	734,762
Due from other governments	56,847	-	229,358	286,205
Loans receivables	-	-	204,103	204,103
Prepaid items	13,432	230	-	13,662
TOTAL ASSETS	<u>\$ 13,942,310</u>	<u>\$ 123,991</u>	<u>\$ 2,701,934</u>	<u>\$ 16,768,235</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 120,776	\$ 3,547	\$ 85	\$ 124,408
Salaries payable	1,133,517	68,559	-	1,202,076
Due to other governments	878,122	4,931	9,750	892,803
Contracts payable	-	-	137,334	137,334
Deferred revenue	1,080,287	-	405,506	1,485,793
Other accrued liabilities	3,731	10	-	3,741
TOTAL LIABILITIES	<u>3,216,433</u>	<u>77,047</u>	<u>552,675</u>	<u>3,846,155</u>
FUND BALANCES				
Reserved for				
Encumbrances	-	-	31,726	31,726
Prepaid items	13,432	230	-	13,662
Legal obligations	33,690	-	-	33,690
Other purposes	62,864	-	50,000	112,864
Unreserved, designated	7,999,986	-	476,990	8,476,976
Unreserved, undesignated, reported in				
General Fund	2,615,905	-	-	2,615,905
Special revenue funds	-	46,714	120,617	167,331
Capital projects funds	-	-	1,469,926	1,469,926
TOTAL FUND BALANCES	<u>10,725,877</u>	<u>46,944</u>	<u>2,149,259</u>	<u>12,922,080</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,942,310</u>	<u>\$ 123,991</u>	<u>\$ 2,701,934</u>	<u>\$ 16,768,235</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET ASSETS
December 31, 2007**

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

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ 12,922,080
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	24,812,636
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements	381,149
A portion of assets and liabilities of the internal service fund are included in the governmental activities of the statement of net assets.	155,899
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements	(52,025)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	<u>(4,047,121)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 34,172,618</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	<u>General Fund</u>	<u>Library Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 4,662,234	\$ 548,304	\$ 1,000,430	\$ 6,210,968
Special assessments	-	-	33,744	33,744
Licenses and permits	179,508	-	-	179,508
Intergovernmental	8,826,862	102,855	1,650,793	10,580,510
Charges for services	1,524,856	35,327	14,598	1,574,781
Fines	112,559	-	-	112,559
Gifts and contributions	23,285	11,641	14,161	49,087
Interest	227,846	-	59,410	287,256
Miscellaneous	68,344	-	55,195	123,539
TOTAL REVENUES	<u>15,625,494</u>	<u>698,127</u>	<u>2,828,331</u>	<u>19,151,952</u>
EXPENDITURES				
Current				
General government	1,771,965	-	-	1,771,965
Public safety	5,804,004	-	-	5,804,004
Public works	2,497,534	-	-	2,497,534
Culture and recreation	1,880,700	766,889	-	2,647,589
Economic development	113,223	-	2,901	116,124
Transportation	214,309	-	-	214,309
Miscellaneous	2,133,574	-	32,806	2,166,380
Debt Service				
Principal	871,799	-	496,031	1,367,830
Interest and other charges	88,719	-	77,775	166,494
Capital Outlay				
General government	-	-	44,052	44,052
Public safety	-	-	283,988	283,988
Public works	-	-	1,870,725	1,870,725
Culture and recreation	-	-	639,470	639,470
Miscellaneous	-	-	38,141	38,141
TOTAL EXPENDITURES	<u>15,375,827</u>	<u>766,889</u>	<u>3,485,889</u>	<u>19,628,605</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>249,667</u>	<u>(68,762)</u>	<u>(657,558)</u>	<u>(476,653)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	91,216	32,000	123,216
Transfers out	(123,216)	-	-	(123,216)
Debt issuance	-	-	440,000	440,000
Sale of capital assets	1,500	-	17,810	19,310
TOTAL OTHER FINANCING SOURCES (USES)	<u>(121,716)</u>	<u>91,216</u>	<u>489,810</u>	<u>459,310</u>
NET CHANGE IN FUND BALANCES	<u>127,951</u>	<u>22,454</u>	<u>(167,748)</u>	<u>(17,343)</u>
FUND BALANCES - JANUARY 1	<u>10,597,926</u>	<u>24,490</u>	<u>2,317,007</u>	<u>12,939,423</u>
FUND BALANCES - DECEMBER 31	<u>\$ 10,725,877</u>	<u>\$ 46,944</u>	<u>\$ 2,149,259</u>	<u>\$ 12,922,080</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
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 \$ (17,343)

Governmental funds report outlays for capital assets as expenditures; however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	2,469,265	
Less current year depreciation	<u>(1,952,756)</u>	
Net capital assets		516,509

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(69,213)

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

Change in deferred revenue - delinquent property taxes	(1,295)	
Change in deferred revenue - special assessments	(22,512)	
Change in deferred revenue - loans receivable	<u>(62,760)</u>	
		(86,567)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets.

Debt issued	440,000	
Principal repaid	<u>(1,367,830)</u>	
		927,830

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

Change in accrued interest payable on long-term debt	11,708	
Change in long-term compensated absences	<u>4,766</u>	
		16,474

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with governmental activities.

5,363

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,293,053

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Insurance Internal Service Fund
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Other Enterprise Fund- Memorial Building Concessions	Totals	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ -	\$ 30,000	\$ 144,584	\$ 174,584	\$ 207,737
Special assessments receivable	917	174,803	-	175,720	-
Accounts receivable	38,915	144,879	-	183,794	128
Due from component unit	166,070	171,345	-	337,415	-
Due from other governments	177,713	241,932	-	419,645	-
Inventories	34,633	-	-	34,633	-
TOTAL CURRENT ASSETS	418,248	762,959	144,584	1,325,791	207,865
NONCURRENT ASSETS					
OTHER ASSETS					
Capital assets					
Land and improvements	-	130,057	-	130,057	-
Construction in progress	-	5,337,606	-	5,337,606	-
Infrastructure	-	454,390	-	454,390	-
Buildings and improvements	94,976	26,604,486	-	26,699,462	-
Equipment, machinery, and furniture	1,861,310	414,490	24,360	2,300,160	-
Less accumulated depreciation	(1,460,004)	(7,991,344)	(24,360)	(9,475,708)	-
TOTAL NONCURRENT ASSETS	496,282	24,949,685	-	25,445,967	-
TOTAL ASSETS	914,530	25,712,644	144,584	26,771,758	207,865
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	64,519	23,216	819	88,554	-
Salaries payable	10,904	13,645	-	24,549	-
Accrued interest payable	-	59,532	-	59,532	-
Due to other funds	15,591	2,794,774	-	2,810,365	-
Due to component unit	-	140,694	-	140,694	-
Due to other governments	32,893	7,760	-	40,653	-
Other accrued expenses	17	23	-	40	-
Deferred revenue	-	174,803	-	174,803	-
Compensated absences	117,620	108,916	-	226,536	-
Contracts payable	-	126,180	-	126,180	-
Bonds, notes and loans payable - current	-	478,000	-	478,000	-
TOTAL CURRENT LIABILITIES	241,544	3,927,543	819	4,169,906	-
NONCURRENT LIABILITIES					
Bonds, notes and loans payable	-	10,008,000	-	10,008,000	-
TOTAL LIABILITIES	241,544	13,935,543	819	14,177,906	-
NET ASSETS					
Invested in capital assets, net of related debt	496,282	14,404,153	-	14,900,435	-
Unrestricted	176,704	(2,627,052)	143,765	(2,306,583)	207,865
TOTAL NET ASSETS	\$ 672,986	\$ 11,777,101	\$ 143,765	\$ 12,593,852	\$ 207,865

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the Business Activities of the Statement of Net Assets.

51,966

Total net assets per government-wide financial statements

\$ 12,645,818

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended December 31, 2007

Business-type Activities - Enterprise Funds

	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Other Enterprise Fund- Memorial Building Concessions	Totals	Governmental Activities - Insurance Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 2,423,498	\$ 2,220,004	\$ 7,014	\$ 4,650,516	\$ -
Sewer connect fees	-	40,261	-	40,261	-
Miscellaneous	2,110	-	-	2,110	-
TOTAL OPERATING REVENUES	<u>2,425,608</u>	<u>2,260,265</u>	<u>7,014</u>	<u>4,692,887</u>	<u>-</u>
OPERATING EXPENSES					
Personal services	711,748	664,548	-	1,376,296	-
Contractual services	1,217,577	106,782	-	1,324,359	-
Administration	497	250	-	747	-
Utilities	85,484	189,993	-	275,477	-
Repairs and maintenance	1,010	82,293	493	83,796	-
Other supplies and expenses	167,868	157,828	3,014	328,710	-
Insurance claims and expenses	43,362	30,101	-	73,463	-
Depreciation	135,923	723,715	159	859,797	-
Miscellaneous	612	2,661	246	3,519	-
TOTAL OPERATING EXPENSES	<u>2,364,081</u>	<u>1,958,171</u>	<u>3,912</u>	<u>4,326,164</u>	<u>-</u>
OPERATING INCOME	<u>61,527</u>	<u>302,094</u>	<u>3,102</u>	<u>366,723</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	1,796	-	4,978	6,774	7,150
Bond issuance costs	-	(24,282)	-	(24,282)	-
Interest expense	-	(148,209)	-	(148,209)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,796</u>	<u>(172,491)</u>	<u>4,978</u>	<u>(165,717)</u>	<u>7,150</u>
INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	<u>63,323</u>	<u>129,603</u>	<u>8,080</u>	<u>201,006</u>	<u>7,150</u>
Capital grants	-	298,640	-	298,640	-
Capital contributions	-	25,000	-	25,000	-
CHANGE IN NET ASSETS	<u>63,323</u>	<u>453,243</u>	<u>8,080</u>	<u>524,646</u>	<u>7,150</u>
TOTAL NET ASSETS - JANUARY 1	<u>609,663</u>	<u>11,323,858</u>	<u>135,685</u>	<u>12,069,206</u>	<u>200,715</u>
TOTAL NET ASSETS - DECEMBER 31	<u>\$ 672,986</u>	<u>\$ 11,777,101</u>	<u>\$ 143,765</u>	<u>\$ 12,593,852</u>	<u>\$ 207,865</u>

Change in net assets, per above

\$ 524,646

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with Business Activities.

1,787

Change in business-type activities in net assets per government-wide financial statements

\$ 526,433

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds				
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Other Enterprise Fund - Memorial Building Concessions	Totals	Governmental Activities - Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,226,318	\$ 1,974,139	\$ 7,014	\$4,207,471	\$ 2,995
Cash paid to suppliers	(1,759,625)	(759,699)	(3,122)	(2,522,446)	(34,779)
Cash paid to employees	(492,402)	(459,745)	-	(952,147)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(25,709)</u>	<u>754,695</u>	<u>3,892</u>	<u>732,878</u>	<u>(31,784)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund financing of cash deficit	15,591	2,935,468	-	2,951,059	-
Prior year cash deficit payment	-	(3,875,231)	-	(3,875,231)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>15,591</u>	<u>(939,763)</u>	<u>-</u>	<u>(924,172)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase or construction of capital assets	(250,975)	(1,836,674)	-	(2,087,649)	-
Principal paid on long-term debt	-	(470,000)	-	(470,000)	-
Interest paid on long-term debt	-	(142,616)	-	(142,616)	-
Capital grants and contributions	-	323,640	-	323,640	-
Proceeds from sale of GO revenue bonds	-	2,365,000	-	2,365,000	-
Bond issuance costs	-	(24,282)	-	(24,282)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(250,975)</u>	<u>215,068</u>	<u>-</u>	<u>(35,907)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	1,796	-	4,978	6,774	7,150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(259,297)</u>	<u>30,000</u>	<u>8,870</u>	<u>(220,427)</u>	<u>(24,634)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>259,297</u>	<u>-</u>	<u>135,714</u>	<u>395,011</u>	<u>232,371</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ 30,000</u></u>	<u><u>\$ 144,584</u></u>	<u><u>\$ 174,584</u></u>	<u><u>\$ 207,737</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HIBBING, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Insurance Internal Service Fund
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Other Enterprise Fund - Memorial Building Concessions	Totals	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income	\$ 61,527	\$ 302,094	\$ 3,102	\$ 366,723	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	135,923	723,715	159	859,797	-
(Increase) decrease in:					
Special assessments receivable	(53)	-	-	(53)	-
Accounts receivable	3,967	(143,713)	-	(139,746)	2,995
Due from component unit	(25,491)	7,754	-	(17,737)	-
Due from other governments	(177,713)	(150,167)	-	(327,880)	-
Inventories	(22,910)	-	-	(22,910)	-
Increase (decrease) in:					
Accounts payable	731	(1,007)	631	355	(34,779)
Salaries payable	1,005	4,167	-	5,172	-
Other accrued expenses	-	13	-	13	-
Compensated absences - current	15,867	9,009	-	24,876	-
Due to other governments	(543)	2,830	-	2,287	-
Compensated absences - long-term	(18,019)	-	-	(18,019)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (25,709)	\$ 754,695	\$ 3,892	\$ 732,878	\$ (31,784)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hibbing was incorporated on August 15, 1893. The City operates as a statutory city under the standard plan. Under the standard plan, voters elect a mayor, clerk-treasurer, and five councilors. Pursuant to statutory authorization, the City has combined the duties of treasurer and clerk into one position.

The accounting policies of the City of Hibbing, Minnesota, comply with Generally Accepted Accounting Principles (GAAP). The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended December 31, 2007.

A. Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the City, (2) organizations for which the City is financially accountable and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the City's reporting entity:

Blended Component Units

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.

Currently the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The component units that are discretely presented are as follows:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Hibbing Economic Development Authority (EDA)	Created by the City to assume primary responsibility for development activities within the City
Hibbing Public Utilities Commission (PUC)	Created to provide water, electric power, natural gas and steam services for the City

EDA does not prepare separate financial statements. Complete financial statements of the PUC may be obtained from Hibbing Public Utilities Commission, 19th Street and East 6th Avenue, Hibbing, Minnesota 55746.

B. Basis of Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 the 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.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

The description of the funds included in this report are as follows:

CITY OF HIBBING, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following governmental funds:

Major Governmental Funds:

The General Fund is the primary operating fund of the City and is used to account for all financial resources relating to the general government, except those required to be accounted for in another fund.

The Library Special Revenue Fund is used to account for all financial resources relating to the public library.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific resources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following proprietary funds:

Major Proprietary Funds:

The Garbage and Refuse Collection Enterprise Fund is used to account for revenues generated from the charges for refuse removal and recycling services provided to the residential and commercial users of the City.

The Sewer Operating and Maintenance Enterprise Fund is used to account for revenues generated from the charges for wastewater treatment services provided to the residential and commercial users of the City.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Proprietary Funds:

The Memorial Building Concessions Enterprise Fund is used to account for operation of the Memorial Building concessions.

Additionally, the government reports the following fund type:

The Insurance Internal Service Fund is used to account for the insurance premiums, co-pays, and deductibles of retiree and employee insurance costs. Financing is provided by insurance premiums from employees and the City and service charges to the various participating governmental and proprietary funds.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all requirements imposed by the provider have been met.

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. Depreciation expense can be specifically identified by program and is included in the direct expenses of each program. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Grant revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements incurred in advance of the year in which the item or service is to be used and debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, franchise taxes, licenses, 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 government.

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. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments purchased with a maturity of three months or less.

E. Assets, Liabilities and Fund Balances

- 1) Cash balances for all funds of the City are maintained on a combined basis and invested to the extent possible, in allowable short-term investments. All investments are stated at fair value.
- 2) The General Fund reports accounts receivable net of an allowance for uncollectible accounts. The allowance amount is based on actual accounts.

The PUC Component Unit reports accounts receivable net of an allowance for doubtful accounts of \$76,490 for 2007.

- 3) The City had no significant inventories in the General Fund and records supplies and materials as expenditures when purchased. Enterprise Funds' inventories are valued at cost, on a first-in, first-out (FIFO) basis, and the cost of these inventories are recorded as expenditures when consumed rather than when purchased. The PUC Component Unit's inventories consist of parts, which are valued at weighted average cost and fuel and bulk supplies, which are valued at cost, on a first-in, first-out (FIFO) basis.
- 4) Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- 5) Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 6) Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

- 7) Capital assets, which include land, artwork, buildings, improvements, equipment, machinery, furniture, construction in progress, 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 and in the proprietary fund financial statements.

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing all capital assets. The cost of normal maintenance and repairs, such as annual City paving costs from state aid maintenance projects, that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. When assets are no longer needed by the City, such assets are either disposed of if it is determined there is no value, or sold for an immaterial amount. Useful lives vary from 20 to 40 years for improvements and buildings, 20 to 40 years for infrastructure, and 5 to 10 years for machinery, equipment and vehicles. Capital assets not being depreciated include land, artwork, construction in progress, and gravel roads.

The City has elected to use the modified approach to report its gravel roads infrastructure assets. The City anticipates spending a certain amount annually to preserve the condition of these gravel roads to a certain minimal level. Annually the gravel roads condition will be assessed to compare to the level the government has established.

- 8) Delinquent property taxes receivable, less any delinquent taxes that are to be received within 60 days, are recorded as a deferred revenue in the fund financial statements because they are not available to finance the current year operations of the City.
- 9) In the government-wide financial statements and proprietary fund type 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 statement of net assets. 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, if material, are reported as deferred charges and amortized over the term of the related debt. The long-term debt consists primarily of general obligation bonds payable and severance payable.

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payment of principal and interest along with severance pay and post-employment benefits, are recognized as expenditures when paid.

- 10) Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

In the fund financial statements, governmental funds 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.

F. Revenues and Expenditures

- 1) The property tax calendar in Minnesota follows the calendar year. Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Property taxes become a lien on the property the following January 1. The county generally remits taxes to the City at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Federal, state, and other revenues are reported under the legal and contractual requirements of the individual programs and are classified into essentially two types of revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the City; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

- 2) City employees earn vacation and sick leave based on years of service and union and employment contracts. Limited vacation time may be carried over annually. A liability for unused vacation is recognized in the government-wide and fund financial statements. A percentage of accumulated unused sick leave will be paid as severance pay upon retirement and is accrued in the government-wide and proprietary fund financial statements.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund and Net Asset Deficits

The following funds of the City or the Hibbing Economic Development Authority, a discretely presented component unit, had a deficit fund balance or net assets at December 31, 2007:

Primary Government	
Sewer Operating and Maintenance Enterprise	
Fund – Unrestricted Net Assets	\$2,627,052

This deficit occurred due to large over runs in the storm sewer renovation project that will be funded by increased storm sewer charges.

EDA Component Unit	
Student Housing Enterprise Fund	\$ 148,472

This deficit occurred because expenses exceeded revenues and transfers. The City plans to eliminate this deficit through future revenues and transfers.

EDA Component Unit	
Storefront Renovation Capital Projects Fund	\$ 675

It is anticipated that the deficit will be eliminated by revenue over expenditures in future years.

NOTE 3 - CASH AND CASH EQUIVALENTS

The City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. This pool of the City functions essentially as a demand account for all participating funds. Each fund's portion of this pool is displayed on the financial statements as "cash and cash equivalents" and "restricted cash and cash equivalents". Several funds and the component unit hold cash and investments separate from the cash and investment pool.

"Cash and cash equivalents", "restricted cash and cash equivalents", and investments recorded are comprised of:

	Primary Government	Component Units		
		EDA	PUC	Total
Cash and cash equivalents				
Petty cash	\$ 1,735	\$ 50	\$ -	\$ 1,785
Deposits	<u>10,655,350</u>	<u>1,598,826</u>	<u>1,279,261</u>	<u>13,533,437</u>
Total cash and cash equivalents	<u>10,657,085</u>	<u>1,598,876</u>	<u>1,279,261</u>	<u>13,535,222</u>
Investments				
Certificates of deposit	907,422	-	-	907,422
Other	<u>798,025</u>	<u>1,643,867</u>	-	<u>2,441,892</u>
Total Investments	<u>1,705,447</u>	<u>1,643,867</u>	-	<u>3,349,314</u>
Total	<u>\$12,362,532</u>	<u>\$ 3,242,743</u>	<u>\$ 1,279,261</u>	<u>\$16,884,536</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event the failure of a depository financial institution, the City will not be able to recover its deposits. The City's formal deposit policy for custodial credit risk requires deposits to be insured by FDIC insurance and collateralized.

The City maintains deposits at financial institutions authorized by the City Council. Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. State statutes authorize the types of securities which may be pledged as collateral and require that those securities be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. At year-end, the carrying amount of the City's deposits was \$13,161,581; the bank balance was \$14,038,583. At December 31, 2007, the carrying amount of Hibbing Public Utility Commission's deposits was \$1,271,261 and the bank balance was \$2,370,775. At year end, the City's bank balances were entirely insured, or collateralized with securities held by the pledging financial institution's agent in the City's name as required by Minnesota Statute §118A.03. At year end, the Hibbing Public Utility Commission's bank balances were fully covered by depository insurance or by collateral held in the Commission's name by the pledging financial institution's correspondent bank.

Investments

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or securities that are in the possession of an outside party. The City's formal investment policy requires brokers to have Securities Investor Protector Insurance (SIPC) and excess SIPC coverage.

Credit Risk and Concentration of Credit Risk

The City does have a formal investment policy for credit risk or concentration of credit risk. State statutes authorize the City to invest in qualified repurchase agreements, obligations of the U.S. government, obligations of the State of Minnesota or its municipalities, shares of certain investment companies, banker's acceptance notes, commercial paper and guaranteed investment contracts. The City places no limit on the amount the City may invest in any one issuer.

As of December 31, 2007, the City had the following investments:

	<u>Fair Value</u>	<u>Rating</u>
Multi Bank Money Market	\$ 2	Not rated
Minnesota Municipal Money Market (4M) Fund	1,198	Not rated
Federal Home Loan Bank Step-up Bonds	796,825	AAA (S&P and Moody's)
1 st American Corporation Trust Government Fund	1,240,748	Not rated
Wells Fargo Government Advantage Money Market Fund	403,119	Not rated
Total Fair Value	<u>\$ 2,441,892</u>	

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

The City utilizes the Minnesota Municipal Money Market (4M) Fund which is an external investment pool not registered with the Securities Exchange commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The pool is not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The City's formal investment policy structures the investment portfolio so that maturing investments meet the City's cash requirements for ongoing operations.

As of December 31, 2007, the Public Utilities Commission did not hold any forms of investments subject to GASB 40 risk disclosures.

NOTE 4 - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass- ification</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 1,604,433	\$ 3,672	\$ -	\$ -	\$ 1,608,105
Artwork	1,807,350	-	-	-	1,807,350
Gravel roads	2,909,500	-	-	-	2,909,500
Construction in progress	<u>1,539,019</u>	<u>1,033,759</u>	<u>(54,586)</u>	<u>(1,542,018)</u>	<u>976,174</u>
Total capital assets, not being depreciated	<u>7,860,302</u>	<u>1,037,431</u>	<u>(54,586)</u>	<u>(1,542,018)</u>	<u>7,301,129</u>
Capital assets, being depreciated:					
Infrastructure	17,410,517	-	-	580,391	17,990,908
Buildings and improvements	18,286,515	786,772	(5,476)	961,626	20,029,437
Equipment, machinery, and furniture	<u>8,426,599</u>	<u>645,062</u>	<u>(161,829)</u>	<u>79,657</u>	<u>8,989,489</u>
Total capital assets, being depreciated	<u>44,123,631</u>	<u>1,431,834</u>	<u>(167,305)</u>	<u>1,621,674</u>	<u>47,009,834</u>
Less accumulated depreciation for:					
Infrastructure	(10,639,459)	(899,545)	-	-	(11,539,004)
Buildings and improvements	(10,941,502)	(522,066)	11,915	-	(11,451,653)
Equipment, machinery, and furniture	<u>(6,037,632)</u>	<u>(531,145)</u>	<u>140,763</u>	<u>(79,656)</u>	<u>(6,507,670)</u>
Total accumulated depreciation	<u>(27,618,593)</u>	<u>(1,952,756)</u>	<u>152,678</u>	<u>(79,656)</u>	<u>(29,498,327)</u>
Total capital assets, being depreciated, net	<u>16,505,038</u>	<u>(520,922)</u>	<u>(14,627)</u>	<u>1,542,018</u>	<u>17,511,507</u>
Governmental activities capital assets, net	<u>\$ 24,365,340</u>	<u>\$ 516,509</u>	<u>\$ (69,213)</u>	<u>\$ -</u>	<u>\$ 24,812,636</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass- ification</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 130,057	\$ -	\$ -	\$ -	\$ 130,057
Construction in progress	<u>3,972,947</u>	<u>1,819,049</u>	<u>-</u>	<u>(454,390)</u>	<u>5,337,606</u>
Total capital assets, not being depreciated	<u>4,103,004</u>	<u>1,819,049</u>	<u>-</u>	<u>(454,390)</u>	<u>5,467,663</u>
Capital assets, being depreciated:					
Infrastructure	-	-	-	454,390	454,390
Buildings and improvements	26,699,462	-	-	-	26,699,462
Equipment, machinery, and furniture	<u>2,091,650</u>	<u>288,167</u>	<u>-</u>	<u>(79,657)</u>	<u>2,300,160</u>
Total capital assets, being depreciated	<u>28,791,112</u>	<u>288,167</u>	<u>-</u>	<u>374,733</u>	<u>29,454,012</u>
Less accumulated depreciation for:					
Infrastructures	-	(5,680)	-	-	(5,680)
Buildings and improvements	(6,949,753)	(703,703)	-	(26,329)	(7,679,785)
Equipment, machinery, and furniture	<u>(1,745,815)</u>	<u>(150,414)</u>	<u>-</u>	<u>105,986</u>	<u>(1,790,243)</u>
Total accumulated depreciation	<u>(8,695,568)</u>	<u>(859,797)</u>	<u>-</u>	<u>79,657</u>	<u>(9,475,708)</u>
Total capital assets, being depreciated, net	<u>20,095,544</u>	<u>(571,630)</u>	<u>-</u>	<u>454,390</u>	<u>19,978,304</u>
Business-type activities capital assets, net	<u>\$ 24,198,548</u>	<u>\$ 1,247,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,445,967</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 255,649
Public safety	226,641
Public works	1,144,746
Culture and recreation	291,354
Transportation	<u>34,366</u>
Total depreciation expense-	
governmental activities	<u>\$1,952,756</u>

Business-type activities

Garbage and refuse collection	\$ 135,923
Sewer operating and maintenance	723,715
Memorial building concessions	<u>159</u>
Total depreciation expense -	
business-type activities	<u>\$ 859,797</u>

Discretely presented component units

Activity for the Hibbing Economic Development Authority for the year ended December 31, 2007, was as follows:

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass- ification</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land and improvements	\$ 9,300	\$ -	\$ -	\$ -	\$ 9,300
Total capital assets, not being depreciated	<u>9,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,300</u>
Capital assets, being depreciated:					
Buildings and improvements	1,824,699	4,207	-	-	1,828,906
Equipment, machinery, and furniture	293,594	8,367	-	-	301,961
Total capital assets, being depreciated	<u>2,118,293</u>	<u>12,574</u>	<u>-</u>	<u>-</u>	<u>2,130,867</u>
Less accumulated depreciation for:					
Buildings and improvements	(567,822)	(47,513)	-	-	(615,335)
Equipment, machinery, and furniture	(280,410)	(4,398)	-	-	(284,808)
Total accumulated depreciation	<u>(848,232)</u>	<u>(51,911)</u>	<u>-</u>	<u>-</u>	<u>(900,143)</u>
Total capital assets, being depreciated, net	<u>1,270,061</u>	<u>(39,337)</u>	<u>-</u>	<u>-</u>	<u>1,230,724</u>
Hibbing Economic Development Authority capital assets, net	<u>\$ 1,279,361</u>	<u>\$ (39,337)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,024</u>

Activity for the Hibbing Public Utilities Commission for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass- ification</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Construction in progress	\$ 759,379	\$ -	\$ -	\$ (48,142)	\$ 711,237
Capital assets, being depreciated:					
Buildings and grounds	6,044,042	1,339,929	(8,813)	48,142	7,423,300
Transmission and distribution system	42,390,090	1,128,818	-	-	43,518,908
Equipment, machinery, and furniture	44,053,834	1,350,393	(252,099)	-	45,152,128
Total capital assets, being depreciated	<u>92,487,966</u>	<u>3,819,140</u>	<u>(260,912)</u>	<u>48,142</u>	<u>96,094,336</u>
Less total accumulated depreciation	<u>(60,668,323)</u>	<u>(2,515,679)</u>	<u>219,512</u>	<u>-</u>	<u>(62,964,490)</u>
Total capital assets, being depreciated, net	<u>31,819,643</u>	<u>1,303,461</u>	<u>(41,400)</u>	<u>48,142</u>	<u>33,129,846</u>
Hibbing Public Utilities Commission capital assets, net	<u>\$ 32,579,022</u>	<u>\$ 1,303,461</u>	<u>\$ (41,400)</u>	<u>\$ -</u>	<u>\$ 33,841,083</u>

NOTE 5 - OPERATING LEASE

The City entered into a sublease agreement with St. Louis County for office facilities for its police department. Total cost for this lease was \$74,728 for the year ended December 31, 2007. The future payments for this lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 74,728
2009	74,728
2010	74,728
2011	74,728
2012	74,728
	<u>\$ 373,640</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 6 - NOTES PAYABLE

During 2007 the PUC entered into various short term loan agreements for operating cash flow purposes. As of December 31, 2007, the notes carried interest rates of 6.25%, were secured by accounts receivable and mature by April, 2008. Interest expensed during 2007 was \$80,089.

Notes payable activity for the year ended December 31, 2007 was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ <u>-</u>	<u>\$3,500,000</u>	<u>\$2,000,000</u>	<u>\$1,500,000</u>

NOTE 7 - LONG-TERM DEBT

The City issued general obligation bonds to finance the construction of major capital facilities, improvements and equipment. The bonds have been issued for both governmental and business-type activities and are being repaid from the applicable resources.

The City has also issued long-term capital leases and certificates of indebtedness for the purchase of major equipment. These leases and certificates are considered obligations of the primary government and are being repaid as part of each year's budgeted expenditures.

The City and the EDA-Component Unit have issued general obligation revenue and revenue bonds, notes and loans payable to finance improvements of the utility and component unit enterprise project. These are being repaid from the corresponding revenues of either the primary government, Utility, or EDA-Component Unit Enterprise Fund.

Components of long-term liabilities are as follows:

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Primary Government					
Governmental Activities					
General obligation bonds					
2002 Taxable Refunding Bonds	01/15/2002	5.00-5.75%	\$ 980,000	02/1/2008	\$ 160,000
2007A Equipment Certificates	12/01/2007	4.00%	\$ 440,000	02/1/2017	<u>440,000</u>
Total general obligation bonds					<u>600,000</u>
Certificates of indebtedness					
Series 2003A	12/01/2003	3.75%	\$ 130,000	12/1/2008	30,000
Series 2004A	11/01/2004	1.55-2.65%	\$ 265,000	08/1/2009	110,000
Series 2005A	12/01/2005	4.68%	\$ 565,000	08/1/2015	405,000
Series 2006A	11/01/2006	4.21%	\$ 455,000	11/1/2016	<u>398,000</u>
Total certificates of indebtedness					<u>943,000</u>
Lease purchase obligations					
Various	-	4.42-6.40%	various	12/30/2012	<u>1,546,410</u>
Police and Fire Indebtedness	06/30/1999	-	\$6,572,990	06/30/2008	<u>657,299</u>
Compensated absences payable					<u>300,412</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Governmental Activities Long-term Liabilities					<u>4,047,121</u>
Business-type Activities					
General obligation revenue					
2003 Sewer Notes	01/29/2003	1.74%	\$9,847,450	08/20/2022	8,121,000
2007A Sewer Revenue Bonds	12/1/2007	4.00-4.10%	\$2,365,000	02/1/2028	<u>2,365,000</u>
Business-type Activities Long-term Liabilities					<u>10,486,000</u>
Total Primary Government Long-Term Liabilities					<u>14,533,121</u>
Discretely Presented Component Units					
EDA					
Bonds and notes payable					
1997 Public Project					
Revenue Bonds	3/5/1997	5.40-6.40%	\$ 3,850,000	2/1/2012	\$ 1,660,000
2002A General Obligation					
Taxable Refunding Bonds	1/15/2002	5.00-5.75%	\$ 270,000	2/1/2008	55,000
1997B General Obligation					
Tax Increment Bonds	8/1/1997	7.50%	\$ 320,000	2/1/2017	255,000
1999A General Obligation					
Tax Increment Bonds	8/1/1999	7.49%	\$ 165,000	2/1/2016	125,000
1998A General Obligation Housing					
Development Refunding Bonds	10/1/1998	4.00-4.75%	\$ 2,075,585	10/1/2028	<u>1,903,940</u>
Total EDA-Component Unit Long-Term Liabilities					<u>3,998,940</u>
PUC					
Bonds and notes payable					6,688,354
Compensated absences payable					<u>986,137</u>
Total PUC-Component Unit Long-Term Liabilities					<u>7,674,491</u>
Total Reporting Entity					<u>\$ 26,206,552</u>

Long-term liability activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Primary Government					
Governmental Activities					
General obligation bonds payable	\$ 320,000	\$ 440,000	\$ (160,000)	\$ 600,000	\$ 160,000
Certificates of indebtedness	1,160,000	-	(217,000)	943,000	229,000
Leases payable	1,879,941	-	(333,531)	1,546,410	312,124
Police and fire indebtedness	1,314,598	-	(657,299)	657,299	657,299
Compensated absences payable	<u>305,178</u>	<u>50,288</u>	<u>(55,054)</u>	<u>300,412</u>	<u>-</u>
Governmental Activities - Long-term Liabilities	<u>4,979,717</u>	<u>490,288</u>	<u>(1,422,884)</u>	<u>4,047,121</u>	<u>1,358,423</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type Activities					
GO revenue notes payable	8,591,000	-	(470,000)	8,121,000	478,000
GO revenue bonds payable	-	2,365,000	-	2,365,000	-
Compensated absences payable	18,019	-	(18,019)	-	-
Business-type Activities - Long-term Liabilities	<u>8,609,019</u>	<u>2,365,000</u>	<u>(488,019)</u>	<u>10,486,000</u>	<u>478,000</u>
Total Primary Government	<u>\$ 13,588,736</u>	<u>\$ 2,855,288</u>	<u>\$ (1,910,903)</u>	<u>\$ 14,533,121</u>	<u>\$ 1,836,423</u>
Discretely Presented Component Units					
EDA					
Bonds payable	\$ 4,391,269	\$ -	\$ (392,329)	\$ 3,998,940	\$ 440,000
PUC					
Bonds and notes payable	\$ 7,090,627	\$ -	\$ (402,273)	\$ 6,688,354	\$ 404,273
Compensated absences payable	960,100	26,037	-	986,137	-
PUC-Component Unit Long-term Liabilities	<u>\$ 8,050,727</u>	<u>\$ 26,037</u>	<u>\$ (402,273)</u>	<u>\$ 7,674,491</u>	<u>\$ 404,273</u>
Totals	<u>\$ 26,030,732</u>	<u>\$ 2,881,325</u>	<u>\$ (2,705,505)</u>	<u>\$ 26,206,552</u>	<u>\$ 2,680,696</u>

Minimum annual principal and interest payments required to retire long-term liabilities, excluding compensated absences payable are as follows:

Year Ending December 31	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,358,423	\$ 142,717	\$ 478,000	\$ 204,695	\$ 1,836,423	\$ 347,412
2009	561,719	115,123	552,000	226,773	1,113,719	341,896
2010	528,135	85,732	580,000	215,300	1,108,135	301,032
2011	481,164	56,653	594,000	203,186	1,075,164	259,839
2012	446,268	29,831	603,000	190,817	1,049,268	220,648
2013-2017	371,000	32,633	3,211,000	758,459	3,582,000	791,092
2018-2022	-	-	3,553,000	403,207	3,553,000	403,207
2023-2027	-	-	745,000	113,012	745,000	113,012
2028-2032	-	-	170,000	3,485	170,000	3,485
Total	<u>\$ 3,746,709</u>	<u>\$ 462,689</u>	<u>\$10,486,000</u>	<u>\$ 2,318,934</u>	<u>\$14,232,709</u>	<u>\$ 2,781,623</u>

Year Ending December 31	Component Units			
	EDA		PUC	
	Principal	Interest	Principal	Interest
2008	\$ 440,000	\$ 223,425	\$ 404,273	\$ 129,619
2009	377,329	198,371	406,273	123,930
2010	407,329	173,068	151,606	497,190
2011	437,329	145,897	167,331	477,240
2012	467,329	116,698	427,629	213,693
2013-2017	518,975	422,711	2,405,311	813,076
2018-2022	520,657	272,650	2,290,000	332,497
2023-2027	676,660	135,815	435,931	46,790
2028-2032	153,332	7,285	-	-
Total	<u>\$ 3,998,940</u>	<u>\$ 1,695,920</u>	<u>\$ 6,688,354</u>	<u>\$ 2,634,035</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Conduit Debt

The City entered into a joint powers agreement pursuant to Minn. Stat. §471.59 with the City of Chisholm. The purpose of the agreement is to help a Minnesota nonprofit corporation refinance and finance projects for intermediate care facilities in both cities by issuing revenue bonds pursuant to Minn. Stat. §§469.152-.165. These bonds are not a debt of the City, as explained further below. This agreement shall terminate upon the final maturity and payment of the bonds or earlier upon the mutual consent in writing of the parties.

The City entered into a joint powers agreement pursuant to Minn. Stat. §471.59 with the Cities of Crookston, Roseau, and Thief River Falls, Minnesota. The purpose of the agreement is to help a Minnesota nonprofit corporation refinance and finance projects for facilities and equipment used in various programs for developmentally disabled individuals in each city by issuing revenue bonds pursuant to Minn. Stat. §§469.152-.165. These bonds are not a debt of the City, as explained below. This agreement shall terminate upon the final maturity and payment of the bonds or earlier upon the mutual consent in writing of the parties.

The City entered into a joint powers agreement pursuant to Minn. Stat. §471.59 with the City of Buhl. The purpose of the agreement is to help a Minnesota nonprofit corporation refinance and finance projects for three facilities used to provide residential services to adults with developmental disabilities in both cities by issuing revenue obligations pursuant to Minn. Stat. §§469.152-.165. Since the City of Buhl is the "issuer," and the City of Hibbing gave "host consent," this revenue obligation is not included in the aggregate amount payable in the conduit debt explained below. These obligations are not a debt of the City, as explained below. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City entered into a joint powers agreement pursuant to Minn. Stat. §471.59 with the City of Virginia. The purpose of the agreement is to help a Minnesota nonprofit corporation refinance and finance projects for health care facilities in both cities by issuing revenue obligations pursuant to Minn. Stat. §§469.152-.165. These obligations are not a debt of the City, as explained below. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City has issued revenue bonds and notes to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities and equipment deemed to be in the public interest. These bonds and notes are secured by the property financed and are payable solely from revenues derived from loan agreements. The City is not obligated in any manner for repayment of the bonds or notes. Accordingly, they are not reported as a liability in the accompanying financial statements.

Since 1995, there are five issues outstanding. The aggregate amount payable at December 31, 2007, is \$4,921,316. Records for revenue bonds or notes issued prior to 1995 are not available.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 8 - INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2007, is as follows:

Due to/from other funds/component units/primary government -

<u>Fund or Component Unit</u>	<u>Due From Other Funds</u>	<u>Due From Component Units</u>	<u>Due To Other Funds</u>	<u>Due To Component Units</u>
Primary Government				
General Fund	\$ 2,810,365	\$ 734,762	\$ -	\$ -
Enterprise Funds				
Garbage and Refuse	-	166,070	15,591	-
Sewer Operating and Maintenance	-	171,345	2,794,774	140,694
Total Enterprise Funds	-	337,415	2,810,365	140,694
Total Primary Government	2,810,365	1,072,177	2,810,365	140,694
	<u>Due From Other Funds</u>	<u>Due From Primary Government</u>	<u>Due To Other Funds</u>	<u>Due To Primary Government</u>
Component Units				
Hibbing Economic Development Authority (EDA)				
Economic Development Special Revenue Fund	30,000	140,694	-	-
Storefront Renovation Capital Projects Fund	-	-	30,000	-
Enterprise Funds				
Student Housing	-	-	-	734,762
Total EDA	30,000	140,694	30,000	734,762
Hibbing Public Utilities Commission	-	-	-	337,415
Total Component Units	30,000	140,694	30,000	1,072,177
Total Reporting Entity	\$ 2,840,365	\$ 1,212,871	\$ 2,840,365	\$ 1,212,871

The balances resulted 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.

Interfund transfers for the year ended December 31, 2007 consisted of the following:

Transfer To/From Other Funds/Component Units

<u>Fund or Component Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government		
General Fund	\$ -	\$ 123,216
Special Revenue Funds		
Library	91,216	-
Capital Projects Funds		
Capital Equipment and Improvement	32,000	-
Total Primary Government	\$ 123,216	\$ 123,216

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 8 - INTERFUND BALANCES AND ACTIVITY (CONTINUED)

<u>Fund or Component Unit</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Hibbing Economic Development Authority (EDA)		
General Fund	\$ 10,807	\$ -
Debt Service Funds		
1996 Refunding Bonds	-	10,807
TIF III	-	44,030
TIF VI	19,274	-
TIF VII	35,119	-
TIF XI	19,782	-
Central Range Public Works	18,243	-
Capital Projects Funds		
TIF VI	461	-
TIF VII	-	35,119
TIF XI	-	3,120
Public Works	-	18,243
Enterprise Fund		
Student Housing	45,467	-
Family Center	-	37,834
Total EDA	<u>\$ 149,153</u>	<u>\$ 149,153</u>

Transfers are used to: 1) eliminate deficit fund balances and 2) to help fund operating losses.

NOTE 9 - FUND EQUITY

Restricted Net Assets

The amount reported as net assets restricted for other purposes on the Statement of Net Assets is comprised of the following:

Primary Government

Restricted for other purposes –	
Library	\$ 46,944
Housing incentives	47,314
Economic development	73,303
Capital fund contribution	<u>50,000</u>
 Total Net Assets, Restricted for Other Purposes – Primary Government	 <u>\$ 217,561</u>

EDA Component Unit

Restricted for other purposes -	
Tax increment financing projects	<u>\$ 59,708</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 9 - FUND EQUITY (CONTINUED)

Fund Balance

The amount reported as fund balances reserved for other purposes on the Balance Sheet is comprised of the following:

<u>General Fund</u>	
Reserved for 10% contribution fund	\$ 4,904
Reserved for tobacco settlement	16,199
Reserved for police forfeiture fund	41,761
Total General Fund	<u>\$ 62,864</u>
<u>Minnesota Investment Revolving Loans</u>	
<u>Special Revenue Fund</u>	
Reserved for community capital fund contributions	<u>\$ 50,000</u>

The amount reported as fund balances unreserved, designated on the Balance Sheet is comprised of the following:

<u>General Fund</u>	
Designated for future projects from sale of assets	\$ 514,853
Designated for cash flow	6,950,813
Designated for workers compensation	355,000
Designated for infrastructure/cooperative programs	179,320
Total Designated - General Fund	<u>\$ 7,999,986</u>
<u>Debt Service Funds</u>	
1990 GO Taxable Pension Bonds	
Designated for debt service	\$ 127,905
2002 GO Refunding Bonds	
Designated for debt service	349,085
Total Designated - Debt Service Funds	<u>\$ 476,990</u>

NOTE 10 - 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. Risk of loss associated with workers' compensation claims are insured through participation in the League of Minnesota Cities Insurance Trust. The League of Minnesota Cities Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. The City pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the last three fiscal years.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 10 - RISK MANAGEMENT (CONTINUED)

The Hibbing Public Utilities Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 11 - TAX INCREMENT FINANCING DISTRICTS

The Hibbing Economic Development Authority is the administering authority for the following tax increment financing districts:

<u>Tax Increment Financing Districts</u>	<u>No. III</u>	<u>No. VI</u>	<u>No. VII</u>
Redevelopment project district established in:	1985	1992	1993
Economic development district established in:	-	-	-
Qualified housing district established in:	-	-	-
Anticipated last tax increment year:	2017	2018	2019
Original net tax capacity:	\$ <u>7,424</u>	\$ <u>12,950</u>	\$ <u>3,412</u>
Current net tax capacity:	\$ <u>21,114</u>	\$ <u>39,414</u>	\$ <u>45,700</u>
Fiscal disparity deduction:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Captured net tax capacity retained by Authority:	\$ <u>13,690</u>	\$ <u>26,464</u>	\$ <u>42,288</u>
Total bonds issued			
Tax increment bonds	\$ 121,000	\$ 270,000	\$ 320,000
Amounts redeemed	<u>121,000</u>	<u>215,000</u>	<u>65,000</u>
Outstanding bonds at 12/31/07	\$ <u>-</u>	\$ <u>55,000</u>	\$ <u>255,000</u>

<u>No. VIII</u>	<u>No. X</u>	<u>No. XI</u>
-	-	1999
-	1999	-
1993	-	-
2020	2009	2025
\$ <u>-</u>	\$ <u>671</u>	\$ <u>525</u>
\$ <u>7,362</u>	\$ <u>8,272</u>	\$ <u>7,448</u>
\$ <u>-</u>	\$ <u>1,173</u>	\$ <u>1,068</u>
\$ <u>7,362</u>	\$ <u>7,601</u>	\$ <u>6,923</u>
\$ -	\$ -	\$ 165,000
-	-	<u>40,000</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>125,000</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 12 - OTHER COMMITMENTS AND CONTINGENCIES

Grants

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2007, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Projects

The City had three outstanding construction projects as of December 31, 2007. The projects are evidenced by contractual commitments with contractors and engineers and include:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
Capital Project Fund		
Permanent Improvement		
2007 Mill overlay MSA projects	\$ <u>486,216</u>	\$ <u>93,603</u>
Enterprise Fund		
Sewer Operating and Maintenance Fund		
Phase 4 Sewer Improvements	1,060,184	92,015
Phase 5 Sewer Improvements	<u>684,290</u>	<u>107,063</u>
Total Sewer Operating and Maintenance Fund	<u>1,744,474</u>	<u>199,078</u>
Total All Funds	\$ <u>2,189,808</u>	\$ <u>292,974</u>

The project commitments are being funded by grants, loan proceeds and fund revenues.

NOTE 13 - JOINT VENTURES

Joint Powers Contracts

The City entered into joint powers contracts with the State of Minnesota and St. Louis County to refurbish and expand a County-owned garage in Hibbing. Pursuant to this agreement, the Hibbing Economic Development Authority (EDA), a component unit of the City, issued \$3,850,000 Public Project Revenue Bonds, Series 1997, to finance the City and County's share of this project. Settlement of the bonds took place on March 5, 1997, with the bonds being dated February 1, 1997.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 13 - JOINT VENTURES (CONTINUED)

The proceeds from the sale of bonds were placed in the EDA Public Works Capital Projects Fund. At December 31, 2007, the fund had the following balances:

Assets	\$ 403,119
Fund Balance	\$ 403,119

Complete financial information can be obtained from the City of Hibbing Finance Director, 401 East 21st Street, Hibbing, Minnesota 55746.

Chisholm/Hibbing Airport Authority

The Chisholm/Hibbing Airport Authority was created by Minnesota Laws of 1994, Chapter 587, Article 11. The Hibbing City Council approved this law as required on September 6, 1994.

The Chisholm/Hibbing Airport Authority is governed by a six-member board appointed equally by each city. If the Authority is dissolved, the fair market value of all real estate owned by the City of Hibbing prior to the formation of the Chisholm/Hibbing Joint Airport Commission in 1957, including improvements on that real estate prior to that time, must be credited to the City of Hibbing.

During 2007, there were no related party transactions between the City and the Chisholm/Hibbing Airport Authority.

Complete financial information can be obtained from the Chisholm/Hibbing Airport Authority, 11038 Highway 37, Hibbing, Minnesota 55746.

NOTE 14 - RELATED ORGANIZATION

Housing and Redevelopment Authority of Hibbing

The five-member governing body of the Housing and Redevelopment Authority of Hibbing is appointed by the Mayor, with approval of the Council. The City is not financially responsible for the Authority.

During 2007, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

NOTE 15 - MINNESOTA COMMUNITY CAPITAL FUND

The City of Hibbing is a Class B member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout Greater Minnesota by pooling local revolving loan fund resources and providing professional management services to support local efforts. The MCCF is designed to provide its members with greater lending flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited resources.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 16 - POST EMPLOYMENT BENEFITS

Primary Government

In addition to the pension benefits described in Notes 18 and 19, the City provides post-employment health care and life insurance benefits to those employees who meet the eligibility requirements. Currently, 94 retirees meet the eligibility requirements. Expenditures for post-employment benefits are recognized when paid. During the year ended December 31, 2007, expenditures of \$876,817 were recognized for post-employment benefits.

Component Unit – Hibbing Public Utilities Commission

The Commission provides health care and dental insurance benefits for retired Commission employees. Commission employees become eligible for such benefits upon retirement. The cost of such benefits is recognized as an expense as the premiums are paid. During the year ended December 31, 2007, the Commission expended \$485,597 in benefits for 38 retirees.

NOTE 17 - EQUITY IN JOINT VENTURE

Component Unit – Hibbing Public Utilities Commission

The Commission has entered into a joint venture with the Virginia Public Utilities Commission to form the Laurentian Energy Authority, LLC. The Authority is a limited liability company created under Minnesota Statutes, Sections 452.25 and 471.59 and organized on January 31, 2005, under Minnesota Statutes Chapter 322B. The Authority was created to supply 35 MW of new biomass fueled electricity to Northern States Power Company, an operating subsidiary of Excel Energy, as well as to supply steam to existing customers of the Hibbing and Virginia Public Utilities Commissions.

The management of the business and affairs of the Authority are governed by a Board of Directors. The Board consists of seven directors. The General Manager, Chairman, and Vice Chairman of the Hibbing Public Utilities as well as the General Manager, President, and Vice President of the Virginia Public Utilities comprise six seats on the Board. The remaining Board position is elected by a majority of the other directors.

Each Commission owns and operates a cogeneration power plant which provides both steam and electricity for distribution to its service area. The Authority is not regulated. Customer rates are set by the Board of Directors and existing operating and power agreements.

The Authority began production of biomass fueled steam and electricity in early 2007.

The Commission has entered into various agreements with the Authority including agreements for the purchase of steam as well as operation and lease agreements. The steam agreement calls for the purchases of minimum quantities of steam based on an escalating fee structure. The operating agreement calls for the Authority to pay the Commission fees based on the operating costs of the Commission's facility up to specified maximum amounts. In addition, the Authority is required to pay the Commission an annual rental fee of \$25,000.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 17 - EQUITY IN JOINT VENTURE (CONTINUED)

As of December 31, 2007, the Commission has reported on its balance sheet an investment of \$8,225,335 in the joint venture, which represents its share of monies directly invested and costs incurred in the establishment of the joint venture as well as its 50 percent share of the change in the Authority's net assets for the year. In addition, interest of \$133,687 has been capitalized in conjunction with the development of the Authority.

The Commission has pledged \$387,353 of deposits to secure a letter of credit for the Authority. The deposits are reflected as restricted assets on the Commission's statement of net assets.

Complete financial statements of the Authority can be obtained from the Commission's Director of Finance. The following represents information reflected in the Authority's 2007 financial statements:

Current assets	\$ 5,064,810
Non-current restricted assets	5,936,994
Other assets	4,452,496
Capital assets	65,064,064
Total assets	80,518,364
Current liabilities	8,882,440
Non-current liabilities	55,452,630
Total liabilities	64,335,070
Net assets	16,183,294
Total operating revenues	24,908,291
Operating expenses	24,163,765
Change in net assets	(1,712,867)

NOTE 18 - DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 18 - DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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 and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling 1-651-296-7460 or 1-800-652-9026.

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 6.00%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. The rate will increase to 8.6% in 2008. The City of Hibbing, Minnesota, 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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 18 - DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

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 \$275,319, \$256,940, and \$234,212, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$372,809, \$307,415, and \$269,500, respectively. The Hibbing Public Utilities contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$283,111, \$266,428, and \$230,386, respectively. The City and Public Utility contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 19 - DEFINED CONTRIBUTION PLAN

Five council members of the City of Hibbing, Minnesota are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Hibbing, Minnesota during fiscal year 2007 were:

<u>Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	
<u>\$ 1,606</u>	<u>\$ 1,606</u>	<u>5.00%</u>	<u>5.00%</u>	<u>5.00%</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,775,868	\$ 4,367,868	\$ 4,662,234	\$ 294,366
Licenses and permits	169,810	169,810	179,508	9,698
Intergovernmental	8,531,853	8,939,853	8,826,862	(112,991)
Charges for services	1,483,300	1,483,300	1,524,856	41,556
Fines	100,000	100,000	112,559	12,559
Gifts and contributions	25,000	25,000	23,285	(1,715)
Interest	120,000	120,000	227,846	107,846
Miscellaneous	69,300	69,300	68,344	(956)
TOTAL REVENUES	15,275,131	15,275,131	15,625,494	350,363
EXPENDITURES				
Current				
General government	1,861,927	1,861,927	1,771,965	89,962
Public safety	5,322,881	5,322,881	5,804,004	(481,123)
Public works	3,070,778	3,070,778	2,497,534	573,244
Culture and recreation	1,831,397	1,831,397	1,880,700	(49,303)
Economic development	115,245	115,245	113,223	2,022
Transportation	203,074	203,074	214,309	(11,235)
Miscellaneous	2,101,314	2,101,314	2,133,574	(32,260)
Debt Service				
Principal	657,299	657,299	871,799	(214,500)
Interest and other charges	-	-	88,719	(88,719)
TOTAL EXPENDITURES	15,163,915	15,163,915	15,375,827	(211,912)
EXCESS OF REVENUES OVER EXPENDITURES	111,216	111,216	249,667	138,451
OTHER FINANCING SOURCES (USES)				
Transfers out	(111,216)	(111,216)	(123,216)	(12,000)
Sale of capital assets	-	-	1,500	1,500
TOTAL OTHER FINANCING SOURCES (USES)	(111,216)	(111,216)	(121,716)	(10,500)
NET CHANGE IN FUND BALANCES	-	-	127,951	127,951
FUND BALANCES - JANUARY 1	10,597,926	10,597,926	10,597,926	-
FUND BALANCES - DECEMBER 31	\$ 10,597,926	\$ 10,597,926	\$ 10,725,877	\$ 127,951

CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 651,150	\$ 651,150	\$ 548,304	\$ (102,846)
Intergovernmental	-	-	102,855	102,855
Charges for services	55,200	55,200	35,327	(19,873)
Gifts and contributions	9,800	9,800	11,641	1,841
TOTAL REVENUES	716,150	716,150	698,127	(18,023)
EXPENDITURES				
Current				
Culture and recreation	807,366	807,366	766,889	40,477
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(91,216)	(91,216)	(68,762)	22,454
OTHER FINANCING SOURCES				
Transfers in	91,216	91,216	91,216	-
NET CHANGE IN FUND BALANCES	-	-	22,454	22,454
FUND BALANCES - JANUARY 1	24,490	24,490	24,490	-
FUND BALANCES - DECEMBER 31	\$ 24,490	\$ 24,490	\$ 46,944	\$ 22,454

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA Year Ended December 31, 2007

MODIFIED APPROACH FOR CITY GRAVEL ROADS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets that allow the City to function and are utilized primarily by the public. They provide future economic benefit for a minimum of two years. Infrastructure assets are capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than other capital assets. The City's major infrastructure systems include streets, gravel roads, sidewalks, and bridges.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its gravel roads. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) performed condition assessments and summarized the results using a measurement scale; and (3) estimated annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City commissioned a physical condition assessment of its gravel roads as of September 2007. This condition assessment will be performed at least every three years. The study assists the City by providing current inspection data used to evaluate current road condition. This helps to maintain a City-defined desirable level of road performance while optimizing the expenditure of limited fiscal resources. The entire gravel road network within the City is composed of approximately 46 miles of gravel road.

A visual inspection of all gravel roads was conducted to assess the existing condition of each of the individual gravel roads. Upon completion of the inspection, a level based on the condition is assessed to each gravel road based on the following criteria:

<u>Condition</u>	<u>Criteria</u>	<u>Level</u>
Poor	Road may have extreme potholes, standing or running water, soft spots, travel speeds below 5 mph or the road may be impassible.	1
Fair	Roads may have some potholes or puddles, minor soft spots, travel speeds up to 30 mph.	2
Good	Roads are in generally good condition, graded, travel speeds up to 45 mph.	3
Excellent	Roads are graded, dust control applied, travel speeds to legal speed limit.	4

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA (CONTINUED)
Year Ended December 31, 2007

Except in the condition of an extreme weather condition, rain storm, or flooded condition, the City of Hibbing will maintain gravel roads at a condition of Level 2. As of December 31, 2007, the City's gravel roads all rated at a Level 3.

The City expended \$146,959 on gravel road maintenance for the year ended December 31, 2007. Those routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the Year 2010 is a minimum of \$375,000. (\$125,000 projected budget each year for the years ending December 31, 2008, 2009, and 2010.)

A schedule of the estimated annual amount calculated to maintain and preserve its gravel roads at the current level compared to actual expenditures for gravel road maintenance for the years ended December 31, 2005, 2006 and 2007, is presented below:

<u>Year</u>	<u>Estimated Annual Expenditures</u>	<u>Actual Expenditures</u>	<u>Funded by General Fund</u>
2005	\$ 87,000	\$125,938	\$125,938
2006	125,000	141,244	141,244
2007	132,832	146,959	146,959

CITY OF HIBBING, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2007

NOTE 1 - BUDGETING

The City Administrator prepares a proposed budget for the City's funds on the same basis as the fund financial statements. The City Council adopts an annual budget for the fiscal year for the General Fund and Library Special Revenue Fund.

Legal budgetary control is at the fund account level; management control is exercised at line-item levels. Budget appropriations lapse at year end, if unexpended.

Budgeted amounts are as originally adopted or as amended by the City Council. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and Library Special Revenue Fund present a comparison of budgetary data to actual results.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Budget

Expenditures exceeded appropriations in the following fund for the year ended December 31, 2007:

General Fund	\$ 211,912
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This over expenditure was funded by revenues in excess of budgeted revenues.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

The Housing Incentive Special Revenue Fund is used to account for revenues and expenditures for the City's Housing Incentive projects.

The Small Cities Development Special Revenue Fund is used to account for loan and interest payments and administration expenditures for housing loans administrated by AEOA.

The Minnesota Investment Revolving Loans Special Revenue Fund is used to account for the loan and interest payments and expenditures for business loans.

The 1990 G.O. Taxable Pension Bond Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs for the payment of Pension Debt.

The 2002 G.O. Refunding Bonds Debt Service Fund is used to account for the accumulation of resources for, and the payment of refunded long-term debt principal, interest and related costs.

The Permanent Improvement Capital Projects Fund is used to account for financial resources and expenditures for the City's major street construction projects.

The Privately-Financed Capital Projects Fund is used to account for special assessments financial resources for construction projects for the City's taxpayers.

The Memorial Building Capital Projects Fund is used to account for financial resources used for the acquisition or construction for the Memorial Building.

The Capital Equipment and Improvement Capital Projects Fund is used to account for financial resources used for the acquisition of equipment and major improvements.

The MDI Maintenance Capital Projects Fund is used to account for financial resources used for maintenance construction of the MDI facility.

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

	Housing Incentive Special Revenue Fund	Small Cities Development Special Revenue Fund	Minnesota Investment Revolving Loans Special Revenue Fund	1990 G.O. Taxable Pension Bond Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 47,314	\$ 24,281	\$ 49,022	\$ 127,905
Taxes receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Accounts receivable	-	-	50,000	-
Due from other governments	-	-	-	-
Loans receivables	-	124,801	79,302	-
TOTAL ASSETS	<u>\$ 47,314</u>	<u>\$ 149,082</u>	<u>\$ 178,324</u>	<u>\$ 127,905</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Contracts payable	-	-	-	-
Deferred revenue	-	124,801	79,302	-
TOTAL LIABILITIES	<u>-</u>	<u>124,801</u>	<u>79,302</u>	<u>-</u>
FUND BALANCES				
Reserved for				
Encumbrances	-	-	-	-
Community capital fund contributions	-	-	50,000	-
Unreserved, designated for debt service	-	-	-	127,905
Unreserved, undesignated	47,314	24,281	49,022	-
TOTAL FUND BALANCES	<u>47,314</u>	<u>24,281</u>	<u>99,022</u>	<u>127,905</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,314</u>	<u>\$ 149,082</u>	<u>\$ 178,324</u>	<u>\$ 127,905</u>

2002 G.O. Refunding Bonds Debt Service Fund	Permanent Improvement Capital Projects Fund	Privately- Financed Capital Projects Fund	Memorial Building Capital Projects Fund	Capital Equipment and Improvement Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 347,450	\$ 1,136,387	\$ 143,886	\$ 109,302	\$ 85,335	\$ 20,436	\$ 2,091,318
1,635	1,785	-	-	7,180	-	10,600
-	-	116,155	-	-	-	116,155
-	-	-	400	-	-	50,400
-	129,625	-	-	99,733	-	229,358
-	-	-	-	-	-	204,103
<u>\$ 349,085</u>	<u>\$ 1,267,797</u>	<u>\$ 260,041</u>	<u>\$ 109,702</u>	<u>\$ 192,248</u>	<u>\$ 20,436</u>	<u>\$ 2,701,934</u>
\$ -	\$ -	\$ -	\$ 85	\$ -	\$ -	\$ 85
-	-	9,750	-	-	-	9,750
-	102,721	-	-	34,613	-	137,334
-	87,486	113,380	400	137	-	405,506
-	190,207	123,130	485	34,750	-	552,675
-	-	-	-	31,726	-	31,726
-	-	-	-	-	-	50,000
349,085	-	-	-	-	-	476,990
-	1,077,590	136,911	109,217	125,772	20,436	1,590,543
<u>349,085</u>	<u>1,077,590</u>	<u>136,911</u>	<u>109,217</u>	<u>157,498</u>	<u>20,436</u>	<u>2,149,259</u>
<u>\$ 349,085</u>	<u>\$ 1,267,797</u>	<u>\$ 260,041</u>	<u>\$ 109,702</u>	<u>\$ 192,248</u>	<u>\$ 20,436</u>	<u>\$ 2,701,934</u>

CITY OF HIBBING, MINNESOTA

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

	Housing Incentive Special Revenue Fund	Small Cities Development Special Revenue Fund	Minnesota Investment Revolving Loans Special Revenue Fund	1990 G.O. Taxable Pension Bond Debt Service Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Gifts and contributions	-	-	-	-
Interest	1,626	835	222	-
Miscellaneous	-	2,901	48,598	-
TOTAL REVENUES	1,626	3,736	48,820	-
EXPENDITURES				
Current				
Economic development	-	2,901	-	-
Miscellaneous	-	-	32,806	-
Debt Service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL EXPENDITURES	-	2,901	32,806	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,626	835	16,014	-
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-
NET CHANGE IN FUND BALANCES	1,626	835	16,014	-
FUND BALANCES - JANUARY 1	45,688	23,446	83,008	127,905
FUND BALANCES - DECEMBER 31	\$ 47,314	\$ 24,281	\$ 99,022	\$ 127,905

2002 G.O. Refunding Bonds Debt Service Fund	Permanent Improvement Capital Projects Fund	Privately- Financed Capital Projects Fund	Memorial Building Capital Projects Fund	Capital Equipment and Improvement Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 154,472	\$ 168,413	\$ -	\$ -	\$ 677,545	\$ -	\$ 1,000,430
-	-	33,744	-	-	-	33,744
29,009	1,401,137	-	-	220,647	-	1,650,793
-	-	-	14,598	-	-	14,598
-	-	-	-	14,161	-	14,161
-	48,396	4,027	3,601	-	703	59,410
-	-	-	-	3,696	-	55,195
<u>183,481</u>	<u>1,617,946</u>	<u>37,771</u>	<u>18,199</u>	<u>916,049</u>	<u>703</u>	<u>2,828,331</u>
-	-	-	-	-	-	2,901
-	-	-	-	-	-	32,806
160,000	-	-	-	336,031	-	496,031
13,600	-	-	-	64,175	-	77,775
-	-	-	-	44,052	-	44,052
-	-	-	-	283,988	-	283,988
-	1,537,662	3,378	-	329,685	-	1,870,725
-	-	-	3,152	636,318	-	639,470
-	-	-	-	38,141	-	38,141
<u>173,600</u>	<u>1,537,662</u>	<u>3,378</u>	<u>3,152</u>	<u>1,732,390</u>	<u>-</u>	<u>3,485,889</u>
<u>9,881</u>	<u>80,284</u>	<u>34,393</u>	<u>15,047</u>	<u>(816,341)</u>	<u>703</u>	<u>(657,558)</u>
-	-	-	-	32,000	-	32,000
-	-	-	-	440,000	-	440,000
-	-	-	-	17,810	-	17,810
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,810</u>	<u>-</u>	<u>489,810</u>
9,881	80,284	34,393	15,047	(326,531)	703	(167,748)
<u>339,204</u>	<u>997,306</u>	<u>102,518</u>	<u>94,170</u>	<u>484,029</u>	<u>19,733</u>	<u>2,317,007</u>
<u>\$ 349,085</u>	<u>\$ 1,077,590</u>	<u>\$ 136,911</u>	<u>\$ 109,217</u>	<u>\$ 157,498</u>	<u>\$ 20,436</u>	<u>\$ 2,149,259</u>

CITY OF HIBBING, MINNESOTA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007**

REVENUES

Taxes

General property	\$ 1,539,529
Taconite	
Production	739,472
Homestead credit	477,647
Municipal aid	1,525,447
Franchise	130,579
Other	249,560

Total Taxes	<u>4,662,234</u>
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Licenses and Permits	<u>179,508</u>
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Intergovernmental

Federal grants	
COPS secure our schools grant	104,000
Federal transportation grant	79,869
Cooperative forestry assistance grant	1,500
Hazardous mitigation grant	84
Assistance to firefighters grant	11,060
State grants	
Market value credit	407,552
Local government aid	7,553,987
Police training	11,255
Police aid	297,151
Firemen's aid	237,689
State transportation grant	88,691
PERA rate increase aid	24,366
County grants	
Ambulance	2,991
Local grants	
Police liaison grant	6,667

Total Intergovernmental	<u>8,826,862</u>
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Charges for Services

General government	
Bus transportation	23,856
Miscellaneous	15,840
Public safety	
Ambulance calls	1,030,489
Fire protection contracts	14,155
Highways and streets	
Miscellaneous	11,118
Culture and recreation	
Rent	130,202
Other	198,838
Cemetery	100,358

Total Charges for Services	<u>1,524,856</u>
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CITY OF HIBBING, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007

REVENUES (CONTINUED)**Fines**

Court fines	\$ 90,276
Police forfeitures	21,123
Administrative fines	<u>1,160</u>

Total Fines 112,559

Gifts and Contributions 23,285

Interest

Interest on investments	200,369
Increase in fair value of investments	<u>27,477</u>

Total Interest 227,846

Miscellaneous

Insurance recoveries	650
Insurance dividends	49,552
Other	<u>18,142</u>

Total Miscellaneous 68,344

TOTAL REVENUES 15,625,494

EXPENDITURES**Current****General Government**

Mayor and council	243,138
Elections	745
City administration	151,034
City clerk	390,073
City hall	117,632
Accounting	46,500
Data processing	48,019
Legal	125,220
Personnel administration	116,233
Zoning and housing	228,626
Assessor	<u>304,745</u>

Total General Government 1,771,965

Public Safety

Police	2,996,337
Fire	1,678,845
Paid on-call fire	75,447
Ambulance	1,047,495
Civil defense	<u>5,880</u>

Total Public Safety 5,804,004

Public Works

Highways and streets	
Streets and alleys	1,691,801
Engineering	304,918
Garage	464,919
Street lighting	<u>35,896</u>

Total Public Works 2,497,534

CITY OF HIBBING, MINNESOTA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007

EXPENDITURES (CONTINUED)

Current

Culture and Recreation

Recreation	\$ 485,236
Memorial building	754,903
Municipal golf course	116,247
Parks	<u>524,314</u>

Total Culture and Recreation 1,880,700

Economic Development

Administration	<u>113,223</u>
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Transportation

Bus	<u>214,309</u>
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Miscellaneous

Cemetery	278,394
Public access	85,729
Insurance	1,692,446
Donations and contributions	6,584
Marker assessment of arena	28,868
Other	<u>41,553</u>

Total Miscellaneous 2,133,574

Debt Service

Principal	871,799
Interest and agent fees	<u>88,719</u>

Total Debt Service 960,518

TOTAL EXPENDITURES 15,375,827

**EXCESS OF REVENUES
OVER EXPENDITURES** 249,667

OTHER FINANCING SOURCES (USES)

Transfers out	(123,216)
Sale of capital assets	<u>1,500</u>

**TOTAL OTHER FINANCING
SOURCES (USES)** (121,716)

NET CHANGE IN FUND BALANCE 127,951

FUND BALANCE - JANUARY 1 10,597,926

FUND BALANCE - DECEMBER 31 \$ 10,725,877

CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2007

REVENUES

Taxes

General property	\$ 378,701
Taconite homestead credit	120,524
Other	<u>49,079</u>

Total Taxes	<u>548,304</u>
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Intergovernmental

State grants	
Market value credit	<u>102,855</u>

Charges for Services	<u>35,327</u>
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Gifts and Contributions	<u>11,641</u>
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TOTAL REVENUES	<u>698,127</u>
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EXPENDITURES

Current

Culture and Recreation

Library

Personal services	549,202
Supplies	92,353
Other services and charges	124,164
Other	<u>1,170</u>

TOTAL EXPENDITURES	<u>766,889</u>
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DEFICIENCY OF REVENUES

OVER EXPENDITURES	(68,762)
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OTHER FINANCING SOURCES

Transfers in	<u>91,216</u>
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NET CHANGE IN FUND BALANCE	22,454
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FUND BALANCE - JANUARY 1	<u>24,490</u>
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FUND BALANCE - DECEMBER 31	<u><u>\$ 46,944</u></u>
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CITY OF HIBBING, MINNESOTA
HOUSING INCENTIVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007

REVENUES	
Interest	\$ 1,626
EXPENDITURES	
	<u>-</u>
NET CHANGE IN FUND BALANCE	1,626
FUND BALANCE - JANUARY 1	<u>45,688</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 47,314</u></u>

CITY OF HIBBING, MINNESOTA

**SMALL CITIES DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007**

REVENUES

Interest	<u>\$ 835</u>
Miscellaneous	
Principal on loans repayments	2,601
Interest on loans repayments	<u>300</u>
Total Miscellaneous	<u>2,901</u>
TOTAL REVENUES	3,736

EXPENDITURES

Current	
Economic Development	
Administration	<u>2,901</u>
NET CHANGE IN FUND BALANCE	835
FUND BALANCE - JANUARY 1	<u>23,446</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 24,281</u></u>

CITY OF HIBBING, MINNESOTA

**MINNESOTA INVESTMENT REVOLVING LOANS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007**

REVENUES

Interest	<u>\$ 222</u>
Miscellaneous	
Principal on loans repayments	44,130
Interest on loans repayments	<u>4,468</u>
Total Miscellaneous	<u>48,598</u>
TOTAL REVENUES	48,820

EXPENDITURES

Current	
Miscellaneous	
Repayments to DEED	<u>32,806</u>
NET CHANGE IN FUND BALANCE	16,014
FUND BALANCE - JANUARY 1	<u>83,008</u>
FUND BALANCE - DECEMBER 31	<u><u>\$ 99,022</u></u>

CITY OF HIBBING, MINNESOTA

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2007

	<u>1990 G.O. Taxable Pension Bond</u>	<u>2002 G.O. Refunding Bonds</u>	<u>Totals</u>
REVENUES			
Taxes			
General property	\$ -	\$ 106,756	\$ 106,756
Taconite homestead credit	-	33,908	33,908
Other	-	13,808	13,808
	<u>-</u>	<u>154,472</u>	<u>154,472</u>
Total Taxes	-	154,472	154,472
Intergovernmental			
State grants			
Market value credit	-	29,009	29,009
	<u>-</u>	<u>29,009</u>	<u>29,009</u>
TOTAL REVENUES	<u>-</u>	<u>183,481</u>	<u>183,481</u>
EXPENDITURES			
Debt Service			
Principal	-	160,000	160,000
Interest	-	13,600	13,600
	<u>-</u>	<u>173,600</u>	<u>173,600</u>
TOTAL EXPENDITURES	<u>-</u>	<u>173,600</u>	<u>173,600</u>
NET CHANGE IN FUND BALANCES	-	9,881	9,881
FUND BALANCES - JANUARY 1	<u>127,905</u>	<u>339,204</u>	<u>467,109</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 127,905</u></u>	<u><u>\$ 349,085</u></u>	<u><u>\$ 476,990</u></u>

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended December 31, 2007

	<u>Permanent Improvement</u>	<u>Privately- Financed Capital Projects</u>	<u>Memorial Building</u>	<u>Capital Equipment and Improvement</u>	<u>MDI Maintenance</u>	<u>Total</u>
REVENUES						
Taxes						
General property	\$ 116,328	\$ -	\$ -	\$ 468,022	\$ -	\$ 584,350
Taconite homestead credit	37,013	-	-	148,892	-	185,905
Other	15,072	-	-	60,631	-	75,703
Total Taxes	<u>168,413</u>	<u>-</u>	<u>-</u>	<u>677,545</u>	<u>-</u>	<u>845,958</u>
Special Assessments						
Principal	-	31,392	-	-	-	31,392
Interest and penalties	-	2,352	-	-	-	2,352
Total Special Assessments	<u>-</u>	<u>33,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,744</u>
Intergovernmental						
Federal grants						
Assistance to firefighters grant	-	-	-	78,563	-	78,563
State grants						
Market value credit	31,587	-	-	127,064	-	158,651
MSA maintenance municipal	253,258	-	-	-	-	253,258
MSA construction municipal	1,115,494	-	-	-	-	1,115,494
Public transit capital grant	-	-	-	14,520	-	14,520
Other	798	-	-	500	-	1,298
Total Intergovernmental	<u>1,401,137</u>	<u>-</u>	<u>-</u>	<u>220,647</u>	<u>-</u>	<u>1,621,784</u>
Charges for Services						
Rent	-	-	14,598	-	-	14,598
Gifts and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,161</u>	<u>-</u>	<u>14,161</u>
Interest	<u>48,396</u>	<u>4,027</u>	<u>3,601</u>	<u>-</u>	<u>703</u>	<u>56,727</u>
Miscellaneous						
Insurance recoveries	-	-	-	1,373	-	1,373
Bond premiums	-	-	-	2,323	-	2,323
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,696</u>	<u>-</u>	<u>3,696</u>
TOTAL REVENUES	<u>1,617,946</u>	<u>37,771</u>	<u>18,199</u>	<u>916,049</u>	<u>703</u>	<u>2,590,668</u>

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)

Year Ended December 31, 2007

	Permanent Improvement	Privately- Financed Capital Projects	Memorial Building	Capital Equipment and Improvement	MDI Maintenance	Total
EXPENDITURES						
Debt Service						
Principal	\$ -	\$ -	\$ -	\$ 336,031	\$ -	\$ 336,031
Interest	-	-	-	64,150	-	64,150
Fiscal charges	-	-	-	25	-	25
Total Debt Service	-	-	-	400,206	-	400,206
Capital Outlay						
General government						
City hall	-	-	-	44,052	-	44,052
Public safety						
Police	-	-	-	121,131	-	121,131
Fire	-	-	-	137,540	-	137,540
Ambulance	-	-	-	13,096	-	13,096
Civil defense	-	-	-	12,221	-	12,221
Public works						
Streets and alleys	1,537,662	3,378	-	231,319	-	1,772,359
Engineering	-	-	-	5,685	-	5,685
Garage	-	-	-	92,681	-	92,681
Culture and recreation						
Recreation	-	-	-	6,765	-	6,765
Memorial building	-	-	3,152	93,912	-	97,064
Parks	-	-	-	83,838	-	83,838
Municipal golf course	-	-	-	21,444	-	21,444
Library	-	-	-	430,359	-	430,359
Miscellaneous						
Cemetery	-	-	-	38,141	-	38,141
Total Capital Outlay	1,537,662	3,378	3,152	1,332,184	-	2,876,376
TOTAL EXPENDITURES	1,537,662	3,378	3,152	1,732,390	-	3,276,582
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	80,284	34,393	15,047	(816,341)	703	(685,914)
OTHER FINANCING SOURCES						
Transfers in	-	-	-	32,000	-	32,000
Debt issuance	-	-	-	440,000	-	440,000
Sale of capital assets	-	-	-	17,810	-	17,810
TOTAL OTHER FINANCING SOURCES	-	-	-	489,810	-	489,810
NET CHANGE IN FUND BALANCES	80,284	34,393	15,047	(326,531)	703	(196,104)
FUND BALANCES - JANUARY 1	997,306	102,518	94,170	484,029	19,733	1,697,756
FUND BALANCES - DECEMBER 31	<u>\$ 1,077,590</u>	<u>\$ 136,911</u>	<u>\$ 109,217</u>	<u>\$ 157,498</u>	<u>\$ 20,436</u>	<u>\$ 1,501,652</u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007**

	<u>General Fund</u>	<u>Economic Development Special Revenue Fund</u>	<u>1996 Refunding Bonds</u>	<u>Tax Increment III</u>
ASSETS				
Cash and cash equivalents	\$ 205,658	\$ 1,002,712	\$ -	\$ 36,149
Investments	-	-	-	-
Taxes receivable				
Unapportioned	939	-	-	-
Delinquent	-	-	-	3,928
Accounts receivable	-	-	-	-
Due from other funds	-	30,000	-	-
Due from primary government	-	140,694	-	-
Loans receivable	-	430,922	-	-
Prepaid items	3,950	-	-	-
TOTAL ASSETS	<u>\$ 210,547</u>	<u>\$ 1,604,328</u>	<u>\$ -</u>	<u>\$ 40,077</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 12,846	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	-	430,922	-	3,928
TOTAL LIABILITIES	<u>12,846</u>	<u>430,922</u>	<u>-</u>	<u>3,928</u>
FUND BALANCES				
Unreserved, designated	-	-	-	36,149
Unreserved, undesignated	197,701	1,173,406	-	-
TOTAL FUND BALANCES	<u>197,701</u>	<u>1,173,406</u>	<u>-</u>	<u>36,149</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 210,547</u>	<u>\$ 1,604,328</u>	<u>\$ -</u>	<u>\$ 40,077</u>

Debt Service Funds

Tax Increment VI	Tax Increment VII	Tax Increment XI	Central Range Public Works
\$ -	\$ -	\$ -	\$ 52,607
-	-	-	-
-	-	-	-
6,490	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 6,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,607</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
6,490	-	-	-
<u>6,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	52,607
-	-	-	-
-	-	-	52,607
<u>\$ 6,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,607</u>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT

COMBINING BALANCE SHEET

GOVERNMENTAL FUNDS (CONTINUED)

December 31, 2007

	<u>Storefront Renovation Project</u>	<u>District III Tax Increment</u>	<u>District VI Tax Increment</u>	<u>District VII Tax Increment</u>
ASSETS				
Cash and cash equivalents	\$ 29,555	\$ 18,669	\$ -	\$ 13,886
Investments	-	-	-	-
Taxes receivable				
Unapportioned	-	-	-	-
Delinquent	-	-	-	80,004
Accounts receivable	25	-	-	-
Due from other funds	-	-	-	-
Due from primary government	-	-	-	-
Loans receivable	35,678	-	-	-
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 65,258</u>	<u>\$ 18,669</u>	<u>\$ -</u>	<u>\$ 93,890</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 255	\$ -	\$ -	\$ -
Due to other funds	30,000	-	-	-
Deferred revenue	35,678	-	-	80,004
TOTAL LIABILITIES	<u>65,933</u>	<u>-</u>	<u>-</u>	<u>80,004</u>
FUND BALANCES				
Unreserved, designated	-	-	-	-
Unreserved, undesignated	(675)	18,669	-	13,886
TOTAL FUND BALANCES	<u>(675)</u>	<u>18,669</u>	<u>-</u>	<u>13,886</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 65,258</u>	<u>\$ 18,669</u>	<u>\$ -</u>	<u>\$ 93,890</u>

Capital Projects Funds

District VIII Tax Increment	District X Tax Increment	District XI Tax Increment	Public Works	Tax Abatement	Totals
\$ 19,422	\$ 11,454	\$ -	\$ -	\$ 35,695	\$ 1,425,807
-	-	-	403,119	-	403,119
-	-	4,202	-	89	5,230
55	9,160	13,427	-	-	113,064
-	-	-	-	-	25
-	-	-	-	-	30,000
-	-	-	-	-	140,694
461,924	-	-	-	-	928,524
-	-	-	-	-	3,950
<u>\$ 481,401</u>	<u>\$ 20,614</u>	<u>\$ 17,629</u>	<u>\$ 403,119</u>	<u>\$ 35,784</u>	<u>\$ 3,050,413</u>
\$ 4,406	\$ 3,519	\$ -	\$ -	\$ 2,439	\$ 23,465
-	-	-	-	-	30,000
461,979	9,160	13,427	-	-	1,041,588
<u>466,385</u>	<u>12,679</u>	<u>13,427</u>	<u>-</u>	<u>2,439</u>	<u>1,095,053</u>
-	-	-	-	-	88,756
15,016	7,935	4,202	403,119	33,345	1,866,604
15,016	7,935	4,202	403,119	33,345	1,955,360
<u>\$ 481,401</u>	<u>\$ 20,614</u>	<u>\$ 17,629</u>	<u>\$ 403,119</u>	<u>\$ 35,784</u>	<u>\$ 3,050,413</u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2007**

	<u>General Fund</u>	<u>Economic Development Special Revenue Fund</u>	<u>1996 Refunding Bonds</u>	<u>Tax Increment III</u>
REVENUES				
Taxes				
General	\$ 61,159	\$ -	\$ -	\$ 23,720
Taconite homestead credit	19,472	-	-	-
Other	7,929	-	-	-
Intergovernmental				
State grants				
Market value credit	16,617	-	-	-
Charges for Services	1,000	-	-	-
Interest	5,275	37,466	-	-
Miscellaneous				
Principal on loan repayments	-	144,470	-	-
Interest on loan repayments	-	28,825	-	-
Donations	16,921	-	-	-
TOTAL REVENUES	<u>128,373</u>	<u>210,761</u>	<u>-</u>	<u>23,720</u>
EXPENDITURES				
Current				
Economic development				
Community development	-	-	-	-
Administration	67,663	25	-	-
Professional services	21,874	-	-	-
Loans	-	-	-	-
Tax increment projects	-	-	-	-
Unallocated				
Other	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>89,537</u>	<u>25</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>38,836</u>	<u>210,736</u>	<u>-</u>	<u>23,720</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,807	-	-	-
Transfers out	-	-	(10,807)	(44,030)
Sale of capital assets	20,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,807</u>	<u>-</u>	<u>(10,807)</u>	<u>(44,030)</u>
NET CHANGE IN FUND BALANCES	69,643	210,736	(10,807)	(20,310)
FUND BALANCES - JANUARY 1	<u>128,058</u>	<u>962,670</u>	<u>10,807</u>	<u>56,459</u>
FUND BALANCES - DECEMBER 31	<u>\$ 197,701</u>	<u>\$ 1,173,406</u>	<u>\$ -</u>	<u>\$ 36,149</u>

Debt Service Funds			
Tax Increment VI	Tax Increment VII	Tax Increment XI	Central Range Public Works
\$ 35,264	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	393,376
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
35,264	-	-	393,376
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	45	-
50,000	15,000	10,000	275,000
4,538	19,688	9,737	113,743
-	431	-	4,633
54,538	35,119	19,782	393,376
(19,274)	(35,119)	(19,782)	-
19,274	35,119	19,782	18,243
-	-	-	-
-	-	-	-
19,274	35,119	19,782	18,243
-	-	-	18,243
-	-	-	34,364
\$ -	\$ -	\$ -	\$ 52,607

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
Year Ended December 31, 2007

	<u>Storefront Renovation Project</u>	<u>District III Tax Increment</u>	<u>District VI Tax Increment</u>	<u>District VII Tax Increment</u>
REVENUES				
Taxes				
General	\$ -	\$ -	\$ -	\$ 40,112
Taconite homestead credit	-	-	-	-
Other	-	-	-	-
Intergovernmental				
State grants				
Market value credit	-	-	-	-
Charges for Services	-	-	-	-
Interest	55	645	-	814
Miscellaneous				
Principal on loan repayments	5,485	-	-	-
Interest on loan repayments	1,309	-	-	-
Donations	-	-	-	-
TOTAL REVENUES	<u>6,849</u>	<u>645</u>	<u>-</u>	<u>40,926</u>
EXPENDITURES				
Current				
Economic development				
Community development	-	-	-	-
Administration	-	-	-	3,571
Professional services	-	471	461	554
Loans	12,475	-	-	-
Tax increment projects	-	-	-	-
Unallocated				
Other	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal charges	-	-	-	-
TOTAL EXPENDITURES	<u>12,475</u>	<u>471</u>	<u>461</u>	<u>4,125</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,626)</u>	<u>174</u>	<u>(461)</u>	<u>36,801</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	461	-
Transfers out	-	-	-	(35,119)
Proceeds from sale of assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>461</u>	<u>(35,119)</u>
NET CHANGE IN FUND BALANCES	<u>(5,626)</u>	<u>174</u>	<u>-</u>	<u>1,682</u>
FUND BALANCES - JANUARY 1	<u>4,951</u>	<u>18,495</u>	<u>-</u>	<u>12,204</u>
FUND BALANCES - DECEMBER 31	<u>\$ (675)</u>	<u>\$ 18,669</u>	<u>\$ -</u>	<u>\$ 13,886</u>

Capital Projects Funds

<u>District VIII Tax Increment</u>	<u>District X Tax Increment</u>	<u>District XI Tax Increment</u>	<u>Public Works</u>	<u>Tax Abatement</u>	<u>Totals</u>
\$ 9,755	\$ 8,427	\$ 7,764	\$ -	\$ 6,222	\$ 192,423
-	-	-	-	1,846	21,318
-	-	-	-	356	8,285
-	-	-	-	1,576	18,193
-	-	-	-	-	394,376
543	279	19	19,197	1,208	65,501
-	-	-	-	-	149,955
-	-	-	-	-	30,134
-	-	-	-	-	16,921
<u>10,298</u>	<u>8,706</u>	<u>7,783</u>	<u>19,197</u>	<u>11,208</u>	<u>897,106</u>
-	-	-	-	5,904	5,904
-	-	-	-	-	71,259
461	466	461	-	-	24,748
-	-	-	-	4,468	16,943
8,812	7,038	-	-	-	15,850
-	-	-	-	-	45
-	-	-	-	-	350,000
-	-	-	-	-	147,706
-	-	-	-	-	5,064
<u>9,273</u>	<u>7,504</u>	<u>461</u>	<u>-</u>	<u>10,372</u>	<u>637,519</u>
<u>1,025</u>	<u>1,202</u>	<u>7,322</u>	<u>19,197</u>	<u>836</u>	<u>259,587</u>
-	-	-	-	-	103,686
-	-	(3,120)	(18,243)	-	(111,319)
-	-	-	-	-	20,000
-	-	(3,120)	(18,243)	-	12,367
1,025	1,202	4,202	954	836	271,954
13,991	6,733	-	402,165	32,509	1,683,406
<u>\$ 15,016</u>	<u>\$ 7,935</u>	<u>\$ 4,202</u>	<u>\$ 403,119</u>	<u>\$ 33,345</u>	<u>\$ 1,955,360</u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
December 31, 2007**

	<u>Student Housing</u>	<u>Family Center</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 50	\$ 173,019	\$ 173,069
Accounts receivable	5,832	-	5,832
Loans receivable	-	684,762	684,762
Prepaid items	6,000	-	6,000
TOTAL CURRENT ASSETS	<u>11,882</u>	<u>857,781</u>	<u>869,663</u>
NONCURRENT ASSETS			
Restricted cash and pooled investments	<u>1,240,748</u>	<u>-</u>	<u>1,240,748</u>
Deferred debt issue costs	<u>39,522</u>	<u>-</u>	<u>39,522</u>
Capital assets			
Land	9,300	-	9,300
Other improvements	36,905	-	36,905
Buildings	1,792,001	-	1,792,001
Furniture and equipment	301,961	-	301,961
Less accumulated depreciation	<u>(900,143)</u>	<u>-</u>	<u>(900,143)</u>
Total capital assets (net of accumulated depreciation)	<u>1,240,024</u>	<u>-</u>	<u>1,240,024</u>
TOTAL NONCURRENT ASSETS	<u>2,520,294</u>	<u>-</u>	<u>2,520,294</u>
TOTAL ASSETS	<u>2,532,176</u>	<u>857,781</u>	<u>3,389,957</u>
LIABILITIES			
CURRENT LIABILITIES			
Due to primary government	734,762	-	734,762
Due to other governments	5,662	-	5,662
Interest payable	24,484	-	24,484
Customer deposits	11,800	-	11,800
Bonds, notes and loans payable	<u>65,000</u>	<u>-</u>	<u>65,000</u>
TOTAL CURRENT LIABILITIES	<u>841,708</u>	<u>-</u>	<u>841,708</u>
NONCURRENT LIABILITIES			
Bonds, notes and loans payable	<u>1,838,940</u>	<u>-</u>	<u>1,838,940</u>
TOTAL LIABILITIES	<u>2,680,648</u>	<u>-</u>	<u>2,680,648</u>
NET ASSETS			
Invested in capital assets, net of related debt	(663,916)	-	(663,916)
Restricted for debt	1,216,264	-	1,216,264
Unrestricted	<u>(700,820)</u>	<u>857,781</u>	<u>156,961</u>
TOTAL NET ASSETS	<u>\$ (148,472)</u>	<u>\$ 857,781</u>	<u>\$ 709,309</u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUNDS
Year Ended December 31, 2007**

	<u>Student Housing</u>	<u>Family Center</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 229,854	\$ -	\$ 229,854
Miscellaneous	1,301	-	1,301
TOTAL OPERATING REVENUES	<u>231,155</u>	<u>-</u>	<u>231,155</u>
OPERATING EXPENSES			
Personal services	2,044	-	2,044
Supplies	10,133	-	10,133
Maintenance and repairs	710	-	710
Contracted services	84,411	-	84,411
Utilities	49,805	-	49,805
Advertising	369	-	369
Insurance	6,874	-	6,874
Depreciation	51,911	-	51,911
TOTAL OPERATING EXPENSES	<u>206,257</u>	<u>-</u>	<u>206,257</u>
OPERATING INCOME	<u>24,898</u>	<u>-</u>	<u>24,898</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	54,152	-	54,152
Interest on notes	-	37,834	37,834
Interest expense	(122,635)	-	(122,635)
Amortization	(1,882)	-	(1,882)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(70,365)</u>	<u>37,834</u>	<u>(32,531)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(45,467)</u>	<u>37,834</u>	<u>(7,633)</u>
Transfers in	45,467	-	45,467
Transfers out	<u>-</u>	<u>(37,834)</u>	<u>(37,834)</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS - JANUARY 1	<u>(148,472)</u>	<u>857,781</u>	<u>709,309</u>
TOTAL NET ASSETS - DECEMBER 31	<u>\$ (148,472)</u>	<u>\$ 857,781</u>	<u>\$ 709,309</u>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year Ended December 31, 2007

	Student Housing	Family Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 231,107	\$ -	\$ 231,107
Cash paid to suppliers	(151,780)	-	(151,780)
Cash paid to employees	(1,800)	-	(1,800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>77,527</u>	<u>-</u>	<u>77,527</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from other funds	45,467	-	45,467
Transfer out to other funds	-	(37,834)	(37,834)
Interfund financing of cash deficit	116,521	-	116,521
Principal received on note	-	5,748	5,748
Interest received on note	-	37,834	37,834
Interest on customer deposits	(15)	-	(15)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>161,973</u>	<u>5,748</u>	<u>167,721</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase or construction of fixed assets	(12,574)	-	(12,574)
Principal paid on long-term debt	(65,000)	-	(65,000)
Interest paid on long-term debt	(100,618)	-	(100,618)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(178,192)</u>	<u>-</u>	<u>(178,192)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>54,152</u>	<u>-</u>	<u>54,152</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,460	5,748	121,208
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,125,338</u>	<u>167,271</u>	<u>1,292,609</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,240,798</u></u>	<u><u>\$ 173,019</u></u>	<u><u>\$ 1,413,817</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 24,898	\$ -	\$ 24,898
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:			
Depreciation	51,911	-	51,911
Decrease in:			
Accounts receivable	2,202	-	2,202
Increase (decrease) in:			
Other accrued liabilities	(1)	-	(1)
Due to other governments	767	-	767
Deferred revenue	(1,450)	-	(1,450)
Customer deposits	(800)	-	(800)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 77,527</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 77,527</u></u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
TAX INCREMENT FINANCING DISTRICTS III, VI, VII, VIII, X, AND XI
Year Ended December 31, 2007**

	<u>Tax Increment District III</u>		<u>Tax Increment District VI</u>	
District type	Redevelopment		Redevelopment	
Authorized under Minn. Stat. ch. #	469		469	
Established in	1985		1992	
Planned completion in	2017		2018	
Original net tax capacity	\$ 7,424		\$ 12,950	
Current net tax capacity	<u>21,114</u>		<u>39,414</u>	
Captured Net Tax Capacity Retained by the City	<u>\$ 13,690</u>		<u>\$ 26,464</u>	
	Accounted for in	Current	Accounted for in	Current
	<u>Prior Years</u>	<u>Year</u>	<u>Prior Years</u>	<u>Year</u>
SOURCES OF FUNDS				
Bond proceeds	\$ 225,630	\$ -	\$ 726,091	\$ -
Note proceeds	121,000	-	-	-
Tax increments received	706,494	23,720	573,041	35,264
General property taxes received	17,921	-	-	-
Interest on invested funds	14,384	645	19,141	-
Grants	17,602	-	-	-
Local contributions	-	-	-	-
Miscellaneous	26,528	-	-	-
TOTAL SOURCES OF FUNDS	<u>1,129,559</u>	<u>24,365</u>	<u>1,318,273</u>	<u>35,264</u>
USES OF FUNDS				
Building acquisition	-	-	-	-
Other public improvements	295,796	-	325,000	-
Bond payments				
Principal	351,000	-	630,000	50,000
Interest and fiscal charges	195,991	-	296,298	4,538
Professional services	3,315	471	2,994	461
Administrative costs	19,980	-	87,092	-
TOTAL USES OF FUNDS	<u>866,082</u>	<u>471</u>	<u>1,341,384</u>	<u>54,999</u>
EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS BEFORE TRANSFERS	<u>263,477</u>	<u>23,894</u>	<u>(23,111)</u>	<u>(19,735)</u>
TRANSFERS				
Transfers to other districts	-	(36,397)	(926)	-
Transfers to other funds	(359,013)	(7,633)	-	-
Transfers from other districts	140,000	-	-	19,735
Transfers from other funds	30,490	-	24,037	-
TOTAL TRANSFERS	<u>(188,523)</u>	<u>(44,030)</u>	<u>23,111</u>	<u>19,735</u>
EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS AND TRANSFERS	<u>\$ 74,954</u>	<u>(20,136)</u>	<u>\$ -</u>	<u>-</u>
DISTRICT BALANCE - JANUARY 1		<u>74,954</u>		<u>-</u>
DISTRICT BALANCE - DECEMBER 31		<u>\$ 54,818</u>		<u>\$ -</u>

<u>Tax Increment District VII</u>		<u>Tax Increment District VIII</u>		<u>Tax Increment District X</u>		<u>Tax Increment District XI</u>	
Redevelopment		Qualified Housing		Economic Development		Redevelopment	
469		469		469		469	
1993		1993		1999		1999	
2019		2020		2009		2025	
	\$ 3,412		\$ -		\$ 671		\$ 525
	45,700		7,362		8,272		7,448
	<u>\$ 42,288</u>		<u>\$ 7,362</u>		<u>\$ 7,601</u>		<u>\$ 6,923</u>
Accounted for in	Current	Accounted for in	Current	Accounted for in	Current	Accounted for in	Current
Prior Years	Year	Prior Years	Year	Prior Years	Year	Prior Years	Year
\$ 320,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,000	\$ -
-	-	-	-	-	-	-	-
474,561	40,112	142,723	9,755	56,997	8,427	57,575	7,764
-	-	-	-	-	-	-	-
9,764	814	4,541	543	519	279	1,660	19
299,999	-	385,000	-	-	-	-	-
8,251	-	-	-	64,350	-	67,786	-
19,619	-	18,670	-	-	-	2,786	-
<u>1,132,194</u>	<u>40,926</u>	<u>550,934</u>	<u>10,298</u>	<u>121,866</u>	<u>8,706</u>	<u>294,807</u>	<u>7,783</u>
-	-	555,095	-	-	-	-	-
721,672	-	37,669	8,812	122,216	7,038	253,248	-
50,000	15,000	-	-	-	-	30,000	10,000
209,466	20,119	-	-	-	-	79,580	9,737
26,945	554	5,371	461	16,832	466	27,014	461
111,907	3,571	30,205	-	-	-	-	45
<u>1,119,990</u>	<u>39,244</u>	<u>628,340</u>	<u>9,273</u>	<u>139,048</u>	<u>7,504</u>	<u>389,842</u>	<u>20,243</u>
<u>12,204</u>	<u>1,682</u>	<u>(77,406)</u>	<u>1,025</u>	<u>(17,182)</u>	<u>1,202</u>	<u>(95,035)</u>	<u>(12,460)</u>
-	-	-	-	-	-	-	-
-	-	(4,926)	-	-	-	-	-
-	-	-	-	9,459	-	13,654	16,662
-	-	96,323	-	14,456	-	81,381	-
-	-	91,397	-	23,915	-	95,035	16,662
<u>\$ 12,204</u>	<u>1,682</u>	<u>\$ 13,991</u>	<u>1,025</u>	<u>\$ 6,733</u>	<u>1,202</u>	<u>\$ -</u>	<u>4,202</u>
	12,204		13,991		6,733		-
	<u>\$ 13,886</u>		<u>\$ 15,016</u>		<u>\$ 7,935</u>		<u>\$ 4,202</u>

CITY OF HIBBING, MINNESOTA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Trough Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Minnesota Department of Natural Resources: Cooperative Forestry Assistance Grant	10.664	A96042	\$ 1,500
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through St. Louis County, Minnesota: Community Development Block Grant	14.218	200709 & 200611	242,500
U.S. DEPARTMENT OF JUSTICE			
Direct Award: COPS Grant - Secure our Schools	16.710	2006CKWX0592	104,000
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Minnesota Department of Transportation: Public Transportation for Non-Urbanized Areas	20.509	90292	79,869
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Minnesota Department of Public Safety: Hazardous Mitigation Grant	97.039	DR-1212	84
Direct Award: Domestic Preparedness Equipment Grant - Assistance to Firefighters	97.044	EMW-2005-FG- 06686 & EMW- 2006-FG-05679	89,623
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			89,707
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 517,576

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant and loan activity of the City of Hibbing, Minnesota, and is prepared on the modified accrual basis of accounting. However, the City records its federal grant expenditures in its proprietary funds on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUBRECIPIENT

During the year ended December 31, 2007, \$104,000 of CFDA No.16.710 (COPS Grant - Secure of Schools) was passed to a subrecipient.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Hibbing, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hibbing, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the City of Hibbing, Minnesota's basic financial statements and have issued our report thereon dated June 25, 2008. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Public Utilities Commission, as described in our report on the City of Hibbing, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Hibbing, Minnesota's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be

prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hibbing, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also conducted our audit in accordance with the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

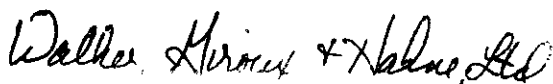
The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Hibbing, Minnesota, complied with the material terms and conditions of applicable legal provisions.

We also noted certain additional matters that we reported to management of City of Hibbing, Minnesota in a separate letter dated June 25, 2008, included under this cover.

City of Hibbing, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Hibbing, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, and the State of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.



June 25, 2008



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Hibbing, Minnesota

Compliance

We have audited the compliance of City of Hibbing, Minnesota with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2007. City of Hibbing, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Hibbing, Minnesota's management. Our responsibility is to express an opinion on City of Hibbing, Minnesota's compliance based on our audit.

Our audit, described below, did not include the operations of the Public Utility Commission because the component unit engaged other auditors to perform an 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hibbing, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Hibbing, Minnesota's compliance with those requirements.

In our opinion, City of Hibbing, Minnesota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of City of Hibbing, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Hibbing, Minnesota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

City of Hibbing, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Hibbing, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, the State of Minnesota, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Walker, Hiron & Nelson, Ltd

June 25, 2008

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Hibbing, Minnesota.
2. Two significant control deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of City of Hibbing, Minnesota, were disclosed during the audit.
4. One significant deficiency in internal control over the major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for City of Hibbing, Minnesota expresses an unqualified opinion on the major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were Community Development Block Grant, CFDA No. 14.218 and the COPS Grant – Secure Our Schools, CFDA No. 16.710.
8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. City of Hibbing, Minnesota did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2007-1. SEGREGATION OF DUTIES

Condition

Due to the limited number of personnel within the City's business office, the segregation of accounting functions necessary to ensure adequate internal accounting control is not possible.

Criteria

The concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view.

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2007

Effect

Because of the weakness in segregation of duties, the City has not provided adequate internal control over its transactions.

Cause

This occurred because of staffing limitations caused by fiscal constraints.

Recommendations

The City Council should constantly be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City Finance Director will attempt to monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the City's staffing limitations and funding constraints.
3. Official Responsible for Ensuring CAP
Sherri Lindstrom, Finance Director, is the official responsible for ensuring this plan.
4. Planned Completion Date for CAP
The City's Finance Director has been monitoring transactions and reviewing the duties of office personnel on an ongoing basis.
5. Plan to Monitor Completion of CAP
The City Council recognized the weakness in segregation of duties and has continually provided oversight to partially compensate for this deficiency.

2007-2. LACK OF CONTROL OVER FINANCIAL REPORTING PROCESS

Condition and Criteria

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements.

Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Organization's internal control.

Cause

This occurred because of staffing limitations caused by fiscal constraints.

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2007

Recommendations

In order to provide controls over the financial statement preparation services at an appropriate level, we suggest management establish effective review policies and procedures.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The City will continue to have the auditor prepare the financial statements; however, the City has included in its Internal Financial Control Policy procedures for maintaining the integrity of the financial statements and documenting the annual review of the financial statements.
3. Officials Responsible for Ensuring CAP
Sherri A. Lindstrom, Finance Director
Patrick L. Garrity, City Clerk/Treasurer
4. Planned Completion Date for CAP
The City has already implemented these policies and the review is already occurring.
5. Plan to Monitor Completion of CAP
Patrick L. Garrity, City Clerk/Treasurer is monitoring the procedures to ensure that they are consistent with the Internal Financial Control Policy. The City Council will also monitor the completion of the corrective action plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA 14.218 – Grant Period – Year Ended December 31, 2007.

The significant deficiency of segregation of duties, as discussed at B. 2007-1, also applies to this grant.

U.S. DEPARTMENT OF JUSTICE

COPS Grant – Secure Our Schools – CFDA 16.710 - Grant Period – Year Ended December 31, 2007.

The significant deficiency of segregation of duties, discussed at B. 2007-1, also applies to this grant.



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MANAGEMENT LETTER

To the City Council
City of Hibbing, Minnesota

In planning and performing our audit of the financial statements of the City of Hibbing, Minnesota, and the Hibbing Economic Development Authority – component unit for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. A separate report dated June 25, 2008, contains our report on significant deficiencies in the City's internal control. This letter does not affect our report dated June 25, 2008, on the financial statements of the City of Hibbing, Minnesota.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and suggestions are summarized as follows:

Internal Control and Operating Efficiency

The Hibbing Economic Development Authority's Student Housing Enterprise Fund operates an apartment building which had a net loss in 2007 of \$45,676. This compares to net losses before transfers of \$5,769 and \$18,867 for 2006 and 2005, respectively. Revenues were insufficient to recover expenses, including interest and depreciation. Management needs to decide on a course of action.

New Accounting Standards

GASB Statement No. 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (OPEB), which will significantly change the reporting of the City's post-employment benefits. The statement requires actuarial valuations for OPEB at least every two years for plans with 200 or more members, and every three years for plans with fewer than 200 members. Plans with fewer than 100 members have the option to apply a simplified alternative measure to

eliminate the need for outside actuarial valuations. This statement is effective in three phases based on the same criteria as those defined for the implementation of GASB Statement No. 34. City of Hibbing, Minnesota, will be required to implement the standard in the fiscal year ending December 31, 2008.

The City's management should review the requirements of the new statement in advance of the effective date and plan for implementation.

This report is intended solely for the information and use of management, the City Council, the State of Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

Walker, Hirose & Nakne, Ltd

June 25, 2008