

CITY OF HIBBING, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2013

CITY OF HIBBING, MINNESOTA

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CITY OF HIBBING, MINNESOTA

ORGANIZATION
December 31, 2013

CITY COUNCIL

Mayor	Rick Cannata
Council Members	
Ward A	Darby Sater
Ward B	Patricia Shafer
Ward C	Jack Lund
Ward D	Timothy Harkonen
Ward E	Jennifer Hoffman Saccoman
Clerk/Treasurer	Patrick L. Garrity

ADMINISTRATION

City Administrator	Tom Dicklich
Finance Director	Sherri A. Renskers

APPOINTED

City Attorney	Richard K. Sellman
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FINANCIAL SECTION

Fort & Company, P.A.

Certified Public Accountants

Diane D. Krueger-Pirnat, CPA
Christine A. Towner, CPA

Connor B. Michels, EA
Victoria C. Arnoldy, CPA

John W. Fort, CPA
Kimberly A. Jarvis

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Hibbing, Minnesota

Report on the Financial Statements

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 City of Hibbing, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 93 percent, 90 percent, and 99 percent, respectively, of assets, net positions, 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 solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also included evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As described in Note 20 to the basic financial statements, the City of Hibbing, Minnesota adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities, for the year ended December 31, 2013. Adoption of the provisions of this statement results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information, on pages 5 to 13 and 58 to 59 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 introductory section, the combining and individual nonmajor fund financial statements, the Hibbing Economic Development Authority's (a component unit) combining financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the City Council
June 27, 2014
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The introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the City of Hibbing, Minnesota's internal control over financial reporting and on our test 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hibbing, Minnesota's internal control over financial reporting and compliance.

Fort & Company

Fort & Company, PA
June 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

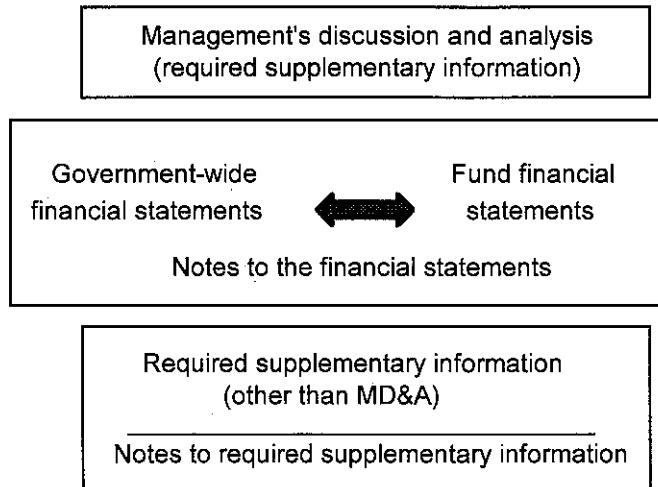
The City of Hibbing, Minnesota's management's discussion and analysis provides an overview of the City's financial activities for the year ended December 31, 2013. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the City of Hibbing, Minnesota's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities have a total net position of \$32,914,345. Invested in capital assets, net of related debt represents \$18,382,108 of the total.
- Business-type activities have a total net position of \$23,940,654. Invested in capital assets, net of related debt represents \$23,468,203 of the total.
- The Hibbing Economic Development Authority (EDA) has a total net position of \$3,631,367. Invested in capital assets, net of related debt represents \$276,330 of the total.
- The City of Hibbing's primary government's net position increased by \$3,099,449 for the year ended December 31, 2013. The Governmental activities' net position increased by \$482,365 and the business-type activities' net position increased by \$2,617,084.
- The EDA's net position increased by \$303,768.
- The net cost of governmental activities was \$15,493,603 for the current year. The net cost was funded by general revenues and other items totaling \$15,975,968.
- Governmental funds' fund balances increased by \$3,868,311.
- The increase in Governmental Funds' fund balance was partially attributable to the City's success in monitoring costs and having General Fund and Postemployment Benefit Debt Service Fund revenues exceed expenditures by \$2,203,559 and \$512,299, respectively. This increase was offset by expenditures exceeding revenues in the Permanent Improvements Capital Projects Fund by \$2,074,516. Adding to the increase in fund balance was the net increase in total other financing sources of \$3,170,360 which is primarily composed of \$2,909,996 in debt issuance in the Permanent Improvement Capital Projects Fund and \$705,043 of debt issuance in the Capital Equipment and Improvement Capital Projects Fund.

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, is 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, 2013

New Accounting Pronouncement

As described in Note 20 to the financial statements, the City of Hibbing implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. This Statement established accounting and financial reporting standards that retroactively reclassify, as deferred inflows of resources, certain items previously reported as liabilities. In addition, debt issuance costs are no longer reported in the Statement of Net Position under the new Standard.

Government-wide Financial Statements

There are two government-wide financial statements. The statement of net position 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.

The statement of net position 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 position and how it has changed. You can think of the City's net position (the difference between assets and deferred outflows versus liabilities and deferred inflows) as one way to measure the City's financial health, or financial position. Increases or decreases in the City's net position 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 the City's buildings and streets also need to be considered in assessing the overall health of the City.

In the statement of net position 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, state and federal grants and aid finance most of these activities.

Business-Type activities

The City charges a fee to customers to help to 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.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

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 funds statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental funds 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. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation statement following each governmental fund financial statement.

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 Position 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 that are reported in the government-wide statements but provide more detail and additional information, such as cash flows.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

After including the January 1, 2013 restatement for GASB 65 (Note 20 to the financial statements) of \$11,404, the City's combined net position increased from \$53,766,954 to \$56,854,999. Looking at the net position and net expenses of governmental and business-type activities separately, however, reveal differences. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 28,666,950	\$ 23,820,352	\$ 1,051,378	\$ (995,047)	\$ 29,718,328	\$ 22,825,305
Capital assets	24,810,052	24,358,788	36,412,069	33,212,938	61,222,121	57,571,726
Total assets	\$ 53,477,002	\$ 48,179,140	\$ 37,463,447	\$ 32,217,891	\$ 90,940,449	\$ 80,397,031
Long-term liabilities	\$ 17,628,243	\$ 13,730,323	\$ 13,032,127	\$ 10,098,498	\$ 30,660,370	\$ 23,828,821
Other liabilities	2,934,414	2,016,837	490,666	784,419	3,425,080	2,801,256
Total liabilities	\$ 20,562,657	\$ 15,747,160	\$ 13,522,793	\$ 10,882,917	\$ 34,085,450	\$ 26,630,077
Net position						
Invested in capital assets						
net of debt	\$ 18,382,108	\$ 20,929,572	\$ 23,468,203	\$ 23,167,325	\$ 41,850,311	\$ 44,096,897
Restricted	4,456,163	3,415,537	-	-	4,456,163	3,415,537
Unrestricted	10,076,074	8,086,871	472,451	(1,832,351)	10,548,525	6,254,520
Total net position	\$ 32,914,345	\$ 32,431,980	\$ 23,940,654	\$ 21,334,974	\$ 56,854,999	\$ 53,766,954

Net position of the City's governmental activities increased by 1.49 percent (\$32,914,345 compared to \$32,431,980 in 2012). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other requirements) changed from \$8,086,871 at December 31, 2012, to \$10,076,074 at the end of 2013.

Net position of the City's business-type activities increased 12.21 percent (\$23,940,654 in 2013 compared to \$21,334,974 in 2012).

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Fees, fines, charges, and other	\$ 3,069,859	\$ 2,881,228	\$ 5,725,992	\$ 5,377,071	\$ 8,795,851	\$ 8,242,941
Operating grants and contributions	1,265,163	981,450	-	-	1,265,163	981,450
Capital grants and contributions	1,483,398	1,205,104	1,532,168	2,756,236	3,015,566	3,961,340
General revenues:						
Taxes	8,427,474	7,507,360	-	-	8,427,474	7,507,360
Intergovernmental	8,024,094	8,024,853	-	-	8,024,094	8,024,853
Other general revenues (expenses)	(20,600)	32,714	12,562	1,179	(8,038)	49,251
Total revenues	<u>22,249,388</u>	<u>20,632,709</u>	<u>7,270,722</u>	<u>8,134,486</u>	<u>29,520,110</u>	<u>28,767,195</u>
Program expenses:						
General government	3,161,783	3,368,870	-	-	3,161,783	3,368,870
Public safety	7,662,166	7,362,576	-	-	7,662,166	7,362,576
Public works	6,001,967	4,937,274	-	-	6,001,967	4,937,274
Culture and recreation	4,099,241	3,165,004	-	-	4,099,241	3,165,004
Other	295,583	373,869	9,214	15,840	304,797	389,709
Interest	91,283	84,210	223,640	223,443	314,923	307,653
Garbage and refuse collection	-	-	2,314,388	2,313,347	2,314,388	2,313,347
Sewer operating and maintenance	-	-	2,455,534	2,372,412	2,455,534	2,372,412
Memorial building concessions	-	-	862	4,858	862	4,858
Total program expenses	<u>21,312,023</u>	<u>19,291,803</u>	<u>5,003,638</u>	<u>4,929,900</u>	<u>26,315,661</u>	<u>24,221,703</u>
Transfers	<u>(455,000)</u>	<u>84,000</u>	<u>350,000</u>	<u>(84,000)</u>	<u>(105,000)</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 482,365</u>	<u>\$ 1,424,906</u>	<u>\$ 2,617,084</u>	<u>\$ 3,120,586</u>	<u>\$ 3,099,449</u>	<u>\$ 4,545,492</u>

The City's total revenues increased by \$752,915 or 2.62 percent. The total cost of all programs and services increased by \$2,093,958 or 8.64 percent. 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 \$1,616,679 or 7.84 percent and total expenses increased by \$2,020,220 or 10.47 percent. The increase in net position for governmental activities was \$482,365 in 2013.

The cost of all governmental activities this year was \$21,312,023. As shown in the Statement of Activities, some of the cost were paid by those who directly benefited from the programs, \$3,069,859, or by other governments and organizations that subsidized certain programs with grants and contributions, \$10,772,655. Taxpayers paid \$8,427,474 in taxes in 2013.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Table 3 represents 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Public safety	\$ 7,662,166	\$ 7,362,576	\$ 5,062,211	\$ 5,003,136
Public works	6,001,967	4,937,274	4,202,596	3,498,359
General government	3,161,783	3,368,870	2,814,900	2,930,068
Culture and recreation	4,099,241	3,165,004	3,306,124	2,603,348
Other	295,583	373,869	16,489	104,900
Interest on long-term debt	91,283	84,210	91,283	84,210
Totals	\$ 21,312,023	\$ 19,291,803	\$ 15,493,603	\$ 14,224,021

Business-Type Activities

Revenues of the City's business-type activities were \$7,270,722 and expenses were \$5,003,638 (see Table 2). There was an increase in net position of \$2,617,084 during the year ended December 31, 2013. The factors driving these results include:

Operations produced \$955,208 of income for the year ended December 31, 2013.

The City recognized capital grants totaling \$1,532,168 for the year.

A transfer in from the City's General Fund of \$350,000 for a utility project.

The City had non-operating interest expense totaling \$223,640 for the year.

EDA Component Unit Activity

The EDA had a net increase in net position of \$303,768 for the year ended December 31, 2013. General revenues, including items such as taxes and grants not restricted to specific programs, accounted for \$318,087 of this, with net program expenses over revenue of \$14,319.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$25,205,454 which is greater than last year's total of \$21,337,143. The general fund had an increase of \$623,457 due to the City's plan to continue to monitor costs and a budget plan for revenues to exceed expenditures. The Library Fund had a \$14,083 increase in fund balance after considering a \$30,231 transfer from the General Fund. The largest increase in other governmental funds was for \$931,621 in the Capital Equipment and Improvement Capital Projects Fund which was mainly due to current year bond proceeds. The next largest increase was \$835,480 in the Permanent Improvement Capital Projects Fund which was mainly due to current year bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$994,273 below the final budget amounts. The most significant positive variances occurred in the City's miscellaneous, \$344,381, and public works, \$273,525. The most significant negative variance (\$23,309) occurred in the City's debt service principal expenditures. Resources available for appropriation were above the final budgeted amounts by \$1,179,055. The City received more in intergovernmental revenue, taxes, licenses and permit revenue, charges for services, fines, gifts and contributions, and miscellaneous revenue than expected.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had \$61,222,120 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 \$3,650,395 over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land, improvements, intangibles, artwork, gravel roads	\$ 6,406,440	\$ 6,401,904	\$ 423,719	\$ 423,719	\$ 6,830,159	\$ 6,825,623
Buildings and improvements	7,240,650	7,578,017	15,079,241	15,668,303	22,319,891	23,246,320
Infrastructure	6,443,965	7,321,359	12,633,862	11,549,120	19,077,827	18,870,479
Equipment, machinery and furniture	3,083,087	2,970,862	901,630	1,213,709	3,984,717	4,184,571
Construction in progress	1,635,910	86,646	7,373,618	4,358,086	9,009,528	4,444,732
Totals	\$ 24,810,052	\$ 24,358,788	\$ 36,412,070	\$ 33,212,937	\$ 61,222,122	\$ 57,571,725

This year's major additions included:

Cemetery elm trees	\$ 4,536
Toro workman	26,922
City Hall phone system	75,564
Internal radio receiver	25,662
Simo Honda Generator	9,006
Bell housing leak repair	7,989
Auger for snow plow	5,662
Case backhoe	115,639
Panasonic camcorder	9,570
Library microfilm reader	8,740
Library furniture donation	17,785
Memorial Building ice edger	6,781
Groundmaster mower 4000	57,500
Groundmaster mower 3280	24,266
Engineering 2013 Ford F150	25,907
Fire mid ship pumper	210,755
Dump truck chassis	91,735
Police cars (2)	51,720
Parks 2014 Ford pickup	30,718
Fire armer radio system	11,460
Blacktopping salt shed	6,554
Air sensor	11,056
City Hall side doors	6,132
Library rear doors	8,126
Memorial Building handrails	13,634
Memorial Building rear doors	9,311
Holophane LED lighting	69,160
Curling Club	1,041,723
Tapala Road	467,265
Memorial Building improvements	132,380
Total additions	\$ 2,583,258

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, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Debt

At year-end, the City had \$31,185,239 in long-term debt outstanding versus \$24,454,106 last year (see Table 5).

Table 5
Outstanding Debt at Year-end

	Governmental Activities		Business-type Activities		EDA Component Unit	
	2013	2012	2013	2012	2013	2012
General obligation bonds (backed by the City)	\$ 5,905,038	\$ 2,825,000	\$ -	\$ -	\$ 554,906	\$ 618,215
Certificates of indebtedness	153,000	211,000	-	-	-	-
Capital leases	369,906	393,215	-	-	-	-
Police and Fire indebtedness	-	-	-	-	-	-
General obligation revenue notes	-	-	10,040,229	7,007,683	-	-
General obligation revenue bonds	-	-	2,903,637	3,037,930	-	-
Compensated absences	213,885	250,387	88,261	52,885	-	-
OPEB liability	10,986,414	10,050,721	-	-	-	-
Total	\$ 17,628,243	\$ 13,730,323	\$ 13,032,127	\$ 10,098,498	\$ 554,906	\$ 618,215

The State limits the amount of net debt that the City's can issue to 3 percent of the market value of all taxable property in the City. The City's outstanding qualifying net debt of \$5,905,038 is significantly below the \$18,411,150 State-imposed limit.

The City issued a \$1,726,575 G.O. Sewer Revenue Note in 2010 to provide for sanitary sewer improvement projects. Advances are made on this loan as the City submits cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2012, the City had advanced \$1,519,258 of the loan. The City took advances of \$14,490 against the loan in 2013. The balance outstanding at December 31, 2013 was \$1,267,173.

In 2012, the City issued a \$4,912,830 G.O. Sewer Revenue Note for a wastewater treatment plant improvement project. Advances are made on this loan as the City submits cost reimbursements to the Minnesota Public Facilities Authority. No advances were taken on this loan in 2012. The City took advances of \$3,854,886 against the loan in 2013. The balance outstanding at December 31, 2013 was \$3,651,056.

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 \$200,000 as compared to the actual costs during the current year of \$379,983, which included 20 road lifts and 7 spot road repairs.

CITY OF HIBBING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2014 budget, tax rates, and fees that will be charged for the business-type activities.

Local government aid has remained frozen at its 2010 amount, which reflects a decrease of \$770,398 from the 2009 amount. Market Value Homestead Credit (MVHC) aid has been eliminated and replaced with a market value exclusion, whereby estimated market values are reduced in calculating taxable market values.

The General Fund expenditures for 2014 are budgeted to be \$17,169,668, which is a \$1,315,837 increase from the 2013 final budget. This is an 8 percent increase from the 2013 original General Fund budgeted expenditures of \$15,853,831. Of the increased expenditures, \$829,000 relates to a transfer out to fund Other Postemployment Benefit (OPEB) liability, resulting in operating expenditure increase of \$486,837, or a 3 percent increase from the 2013 budget.

Property tax levies increased 3.25 percent for 2014.

Consistent with the national and global economy, rising health care and fuel costs significantly impact the City's budgets.

During the 2013 legislative session, the Legislature changed the LGA formula such that the City will be receiving an increase of \$88,085 in 2014 over the 2013 LGA amount.

The City relies heavily on State and taconite aid to fund its budget. The City is subject to cuts from the State government at times when the State budget is not balanced. Additionally the price of steel in the global market affects the City due to taconite aid received in lieu of property taxes, which is based on tonnage produced.

The City's 2014 capital budget calls for it to spend another \$1,999,755 for capital projects, principally for the following:

Ambulance	\$ 42,400
Cemetery	54,310
Engineering	-
General government	150,580
Library	80,000
Parks, recreation and arena	482,820
Public safety	242,560
Public works	360,350
Other	<u>586,735</u>
Total	<u>\$ 1,999,755</u>

Some of the projects are subject to obtaining grants.

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 information, contact the City's Financial Director, Sherri Renskers, City of Hibbing, 401 East 21st Street, Hibbing, Minnesota 55746.

BASIC FINANCIAL STATEMENTS

CITY OF HIBBING, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2013

	Primary government			Component Units	
	Business -		Total	EDA	PUC
	Governmental Activities	Type Activities			
ASSETS					
Cash and cash equivalents	\$ 24,730,348	\$ 2,072,547	\$ 26,802,895	\$ 2,386,181	\$ 188,567
Investments	867,245		867,245		
Taxes receivable	423,854	619	424,473	128,175	
Special assessments receivable	171,275	118,582	289,857		
Accounts receivable	297,857	1,142	298,999	1,649	6,864,637
Interest receivable	3,482		3,482		
Unbilled revenues					1,994,012
Internal balances	1,846,315	(1,846,315)			
Due from other governments	291,621	296,319	587,940		
Due from other component units		404,883	404,883		
Due from primary government				369,906	
Loans receivable	8,734		8,734	991,473	
Inventories	531	3,104	3,635		914,852
Prepaid expenses	25,688	497	26,185		482,348
Equity in joint venture					11,347,962
Temporarily restricted assets				46,264	1,512,162
Cash and cash equivalents					337,001
Investments held with fiscal agents					
Capital assets not being depreciated					
Land, improvements, artwork, gravel roads, intangibles and construction in progress	8,042,350	7,797,337	15,839,687	258,601	1,729,819
Capital assets net of accumulated depreciation					
Infrastructure	23,852,253	13,607,077	37,459,330	19,699	
Buildings and improvements	21,796,827	25,048,635	46,845,462		10,866,808
Transmissions and distribution system					48,685,703
Equipment, machinery and furniture	11,659,175	3,925,294	15,584,469		52,462,165
Less: accumulated depreciation	(40,540,553)	(13,966,274)	(54,506,827)	(1,970)	(74,172,513)
TOTAL ASSETS	\$ 53,477,002	\$ 37,463,447	\$ 90,940,449	\$ 4,199,978	\$ 63,213,523
LIABILITIES AND NET POSITION					
LIABILITIES					
Accounts payable	\$ 318,400	\$ 45,561	\$ 363,961	\$ 173	\$ 4,017,626
Salaries payable	1,102,256	42,825	1,145,081	115	
Notes payable					
Due to other governments	265,434	22,357	287,791	1,609	
Due to primary government					404,883
Contracts payable	225,526	176,741	402,267		
Customer deposits					275,962
Other accrued liabilities	2,321		2,321		112,730
Unearned revenue	984,018		984,018		33,141
Accrued interest payable	36,459	88,600	125,059	11,808	10,589
Compensated absences		114,582	114,582		427,455
Long-term liabilities					
Due to component unit	369,906		369,906		
Compensated absences	213,885	88,261	302,146		1,013,745
OPEB liability	10,986,414		10,986,414		14,308,347
Due within one year	564,707	1,024,000	1,588,707	69,707	1,013,152
Due in more than one year	5,493,331	11,919,866	17,413,197	485,199	6,285,337
TOTAL LIABILITIES	\$ 20,562,657	\$ 13,522,793	\$ 34,085,450	\$ 568,611	\$ 27,902,967
NET POSITION					
Invested in capital assets, net of related debt	18,382,108	23,468,203	41,850,311	276,330	37,060,982
Restricted for					
Capital projects	2,943,414		2,943,414	53,767	
Debt service	1,175,784		1,175,784	266,082	1,203,059
Other purposes	336,965		336,965		
Unrestricted	10,076,074	472,451	10,548,525	3,035,188	(2,953,485)
TOTAL NET POSITION	\$ 32,914,345	\$ 23,940,654	\$ 56,854,999	\$ 3,631,367	\$ 35,310,556
TOTAL LIABILITIES AND NET POSITION	\$ 53,477,002	\$ 37,463,447	\$ 90,940,449	\$ 4,199,978	\$ 63,213,523

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

CITY OF HIBBING, MINNESOTA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 3,161,783	\$ 334,197	\$ 12,686	\$ -
Public safety	7,662,166	2,208,947	345,435	45,573
Public works	6,001,967	64,895	301,733	1,432,743
Culture and recreation	4,099,241	410,059	377,976	5,082
Economic development	13,613	-	-	-
Transportation	281,970	51,761	227,333	-
Interest on long-term debt	91,283	-	-	-
Total Governmental Activities	<u>21,312,023</u>	<u>3,069,859</u>	<u>1,265,163</u>	<u>1,483,398</u>
Business-Type Activities				
Garbage and refuse collection	2,314,388	2,748,030	-	-
Sewer operating and maintenance	2,688,388	2,971,439	-	1,532,168
Memorial building concessions	862	6,523	-	-
Total Business-Type Activities	<u>5,003,638</u>	<u>5,725,992</u>	<u>-</u>	<u>1,532,168</u>
Total Primary Government	<u>\$ 26,315,661</u>	<u>\$ 8,795,851</u>	<u>\$ 1,265,163</u>	<u>\$ 3,015,566</u>
Component Units				
EDA	\$ 315,947	\$ 15,253	\$ 286,375	\$ -
PUC	<u>28,546,154</u>	<u>27,175,843</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 28,862,101</u>	<u>\$ 27,191,096</u>	<u>\$ 286,375</u>	<u>\$ -</u>
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 (loss) on sale of capital assets				
Transfers				
Total General Revenues				
Change in Net Position				
NET POSITION(RESTATED) - JANUARY 1				
NET POSITION - DECEMBER 31				

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

Net (Expense) Revenue and Changes in Net Position

	Primary Government		Component Units		
	Governmental Activities	Business-Type Activities	Total	EDA	PUC
\$	(2,814,900)	\$ -	\$ (2,814,900)		
	(5,062,211)	-	(5,062,211)		
	(4,202,596)	-	(4,202,596)		
	(3,306,124)	-	(3,306,124)		
	(13,613)	-	(13,613)		
	(2,876)	-	(2,876)		
	(91,283)	-	(91,283)		
	<u>(15,493,603)</u>	<u>-</u>	<u>(15,493,603)</u>		
	-	433,642	433,642		
	-	1,815,219	1,815,219		
	-	5,661	5,661		
	-	<u>2,254,522</u>	<u>2,254,522</u>		
	<u>(15,493,603)</u>	<u>2,254,522</u>	<u>(13,239,081)</u>		
			\$ (14,319)	\$ -	
			<u>(14,319)</u>	<u>(1,370,311)</u>	
			<u>\$ (14,319)</u>	<u>\$ (1,370,311)</u>	
	5,007,776	-	5,007,776	-	-
	3,266,959	-	3,266,959	120,055	-
	152,739	-	152,739	-	-
	-	-	91,627	-	-
	8,024,094	-	8,024,094	122	2,053,771
	(15,676)	2,162	(13,514)	1,283	7,142
	(4,924)	10,400	5,476	-	-
	(455,000)	350,000	(105,000)	105,000	-
	<u>15,975,968</u>	<u>362,562</u>	<u>16,338,530</u>	<u>318,087</u>	<u>2,060,913</u>
	482,365	2,617,084	3,099,449	303,768	690,602
	<u>32,431,980</u>	<u>21,323,570</u>	<u>53,755,550</u>	<u>3,327,599</u>	<u>34,619,954</u>
	<u>\$ 32,914,345</u>	<u>\$ 23,940,654</u>	<u>\$ 56,854,999</u>	<u>\$ 3,631,367</u>	<u>\$ 35,310,556</u>

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

CITY OF HIBBING, MINNESOTA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2013

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,299,698	\$ 276,684	\$ 13,153,966	\$ 24,730,348
Investments	867,245	-	-	867,245
Taxes receivable	403,095	3,310	18,849	425,254
Special assessments receivable	-	-	171,275	171,275
Accounts receivable	191,044	-	105,413	296,457
Interest receivable	3,482	-	-	3,482
Due from other funds	1,846,315	-	-	1,846,315
Due from other governments	252,919	-	38,702	291,621
Loans receivable	-	-	63,365	63,365
Prepaid items and other assets	18,947	7,271	-	26,218
TOTAL ASSETS	\$ 14,882,745	\$ 287,265	\$ 13,551,570	\$ 28,721,580
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 209,323	\$ 4,049	\$ 105,028	\$ 318,400
Salaries payable	1,044,352	57,904	-	1,102,256
Due to other funds	-	-	-	-
Due to other governments	258,648	4,207	2,579	265,434
Contracts payable	65,177	-	160,349	225,526
Unearned revenue	6,552	3,000	974,466	984,018
Other accrued liabilities	2,320	-	-	2,320
TOTAL LIABILITIES	1,586,372	69,160	1,242,422	2,897,954
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	383,532	-	-	383,532
Special assessments	-	-	171,275	171,275
Loans receivable	-	-	63,365	63,365
TOTAL DEFERRED INFLOWS OF RESOURCES	383,532	-	234,640	618,172
FUND BALANCES				
Nonspendable	18,418	7,271	50,000	75,689
Restricted	50,442	210,834	4,119,198	4,380,474
Committed	-	-	7,240,618	7,240,618
Assigned	8,892,749	-	664,692	9,557,441
Unassigned	3,951,232	-	-	3,951,232
TOTAL FUND BALANCES	12,912,841	218,105	12,074,508	25,205,454
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,882,745	\$ 287,265	\$ 13,551,570	\$ 28,721,580

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 POSITION
December 31, 2013

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

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ 25,205,454
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds	24,810,052
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds	
Loans receivable	8,734
Delinquent property taxes	383,532
Deferred and delinquent special assessments	171,275
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements	(36,459)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	<u>(17,628,243)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 32,914,345</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, 2013

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,113,237	\$ 585,446	\$ 2,680,990	\$ 8,379,673
Special assessments	-	-	41,090	41,090
Licenses and permits	155,649	-	-	155,649
Intergovernmental	9,041,306	597	1,713,031	10,754,934
Charges for services	2,464,855	20,352	14,766	2,499,973
Fines	131,962	-	-	131,962
Gifts and contributions	637	9,421	79,518	89,576
Investment income (loss)	(21,999)	241	5,792	(15,966)
Miscellaneous	147,237	-	-	147,237
TOTAL REVENUES	17,032,884	616,057	4,535,187	22,184,128
EXPENDITURES				
Current				
General government	1,713,082	-	-	1,713,082
Public safety	6,268,498	-	-	6,268,498
Public works	2,707,417	-	-	2,707,417
Culture and recreation	1,766,182	632,205	-	2,398,387
Economic development	14,937	-	-	14,937
Transportation	267,252	-	-	267,252
Miscellaneous	2,053,889	-	-	2,053,889
Debt Service				
Principal	23,309	-	593,000	616,309
Interest and other charges	14,759	-	67,054	81,813
Capital Outlay				
General government	-	-	81,696	81,696
Public safety	-	-	279,443	279,443
Public works	-	-	3,613,933	3,613,933
Culture and recreation	-	-	1,343,311	1,343,311
Miscellaneous	-	-	46,210	46,210
TOTAL EXPENDITURES	14,829,325	632,205	6,024,647	21,486,177
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,203,559	(16,148)	(1,489,460)	697,951
OTHER FINANCING SOURCES (USES)				
Transfers in	-	30,231	1,151,762	1,181,993
Transfers out	(1,586,993)	-	(50,000)	(1,636,993)
Debt issuance	-	-	3,615,039	3,615,039
Sale of capital assets	6,891	-	3,430	10,321
TOTAL OTHER FINANCING SOURCES (USES)	(1,580,102)	30,231	4,720,231	3,170,360
NET CHANGE IN FUND BALANCES	623,457	14,083	3,230,771	3,868,311
FUND BALANCES - JANUARY 1	12,289,384	204,022	8,843,737	21,337,143
FUND BALANCES - DECEMBER 31	\$ 12,912,841	\$ 218,105	\$ 12,074,508	\$ 25,205,454

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, 2013

Amounts reported for Governmental Activities in the Statement of Activities are different because:

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,868,311

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 life.

Expenditures for capital assets	2,538,013
Less current year depreciation	<u>(2,071,505)</u>
Net capital assets	466,508

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets. (15,244)

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

Change in deferred inflows of resources - delinquent property taxes	47,278
Change in deferred inflows of resources - special assessments	22,905
Change in deferred inflows of resources - loans receivable	<u>-</u>
	70,183

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

Debt issued	(3,585,000)
Principal repaid	616,308
Bond premium	<u>(30,038)</u>
	(2,998,730)

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	(9,472)
Change in long-term compensated absences	36,502
Change in long-term other postemployment benefits	<u>(935,693)</u>
	(908,663)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 482,365

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

CITY OF HIBBING, MINNESOTA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**
December 31, 2013

Business-Type Activities - Enterprise Funds					
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,555,888	\$ 350,864	\$ 165,795	\$ 2,072,547	
Special assessments receivable	27,026	91,556	-	118,582	
Taxes receivable	619	-	-	619	
Accounts receivable	467	675	-	1,142	
Due from other governments	-	296,319	-	296,319	
Due from component units	196,384	208,499	-	404,883	
Inventories	3,104	-	-	3,104	
Prepaid expenses	-	-	497	497	
TOTAL CURRENT ASSETS	1,783,488	947,913	166,292	2,897,693	
NONCURRENT ASSETS					
OTHER ASSETS					
Capital assets					
Land and improvements	297,689	126,030	-	423,719	
Construction in progress	-	7,373,618	-	7,373,618	
Infrastructure	-	13,607,077	-	13,607,077	
Buildings and improvements	121,085	24,927,550	-	25,048,635	
Equipment, machinery, and furniture	2,816,460	1,084,474	24,360	3,925,294	
Less accumulated depreciation	(2,273,292)	(11,668,622)	(24,360)	(13,966,274)	
TOTAL NONCURRENT ASSETS	961,942	35,450,127	-	36,412,069	
TOTAL ASSETS	2,745,430	36,398,040	166,292	39,309,762	
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	34,895	10,666	-	45,561	
Salaries payable	22,003	20,822	-	42,825	
Accrued interest payable	-	88,600	-	88,600	
Due to other funds	-	1,846,315	-	1,846,315	
Due to other governments	12,457	9,900	-	22,357	
Other accrued expenses	-	-	-	-	
Unearned revenue	-	-	-	-	
Compensated absences	60,199	54,383	-	114,582	
Contracts payable	-	176,741	-	176,741	
Bonds, notes and leases payable-current	-	1,024,000	-	1,024,000	
TOTAL CURRENT LIABILITIES	129,554	3,231,427	-	3,360,981	
NONCURRENT LIABILITIES					
Compensated absences	59,071	29,190	-	88,261	
Bonds, notes and leases payable	-	11,919,866	-	11,919,866	
TOTAL NONCURRENT LIABILITIES	59,071	11,949,056	-	12,008,127	
TOTAL LIABILITIES	188,625	15,180,483	-	15,369,108	
NET POSITION					
Invested in Capital assets, net of related debt	961,942	22,506,261	-	23,468,203	
Unrestricted	1,594,863	(1,288,704)	166,292	472,451	
TOTAL NET POSITION	\$ 2,556,805	\$ 21,217,557	\$ 166,292	\$ 23,940,654	

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

CITY OF HIBBING, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2013

Business-Type Activities - Enterprise Funds				
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
OPERATING REVENUES				
Charges for services	\$ 2,744,321	\$ 2,843,757	\$ 6,523	\$ 5,594,601
Sewer connect fees	-	125,147	-	125,147
Miscellaneous	3,709	2,535	-	6,244
TOTAL OPERATING REVENUES	2,748,030	2,971,439	6,523	5,725,992
OPERATING EXPENSES				
Personal services	827,489	757,261	-	1,584,750
Contractual services	938,990	102,475	-	1,041,465
Administration	555	-	-	555
Utilities	117,144	231,594	-	348,738
Repairs and maintenance	5,667	87,334	365	93,366
Other supplies and expenses	91,667	211,703	-	303,370
Insurance claims and expenses	53,098	42,918	-	96,016
Depreciation	274,896	1,010,266	-	1,285,162
Miscellaneous	4,882	11,983	497	17,362
OTHER OPERATING EXPENSES	2,314,388	2,455,534	862	4,770,784
OPERATING INCOME	433,642	515,905	5,661	955,208
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,907	-	255	2,162
Miscellaneous revenue (expense)	-	(9,214)	-	(9,214)
Impairment loss on capital assets	-	-	-	-
Sale of capital assets	10,400	-	-	10,400
Operating grants	-	-	-	-
Interest expense	-	(223,640)	-	(223,640)
Transfer from primary government	-	350,000	-	350,000
TOTAL NONOPERATING REVENUES (EXPENSES)	12,307	117,146	255	129,708
INCOME BEFORE CAPITAL GRANTS	445,949	633,051	5,916	1,084,916
CAPITAL GRANTS	-	1,532,168	-	1,532,168
CHANGE IN NET POSITION	445,949	2,165,219	5,916	2,617,084
TOTAL NET POSITION(RESTATED)-JANUARY 1	2,110,856	19,052,338	160,376	21,323,570
TOTAL NET POSITION - DECEMBER 31	\$ 2,556,805	\$ 21,217,557	\$ 166,292	\$ 23,940,654

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, 2013

Business-Type Activities - Enterprise Funds				
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,783,490	\$ 2,996,276	\$ 8,571	\$ 5,788,337
Cash paid to suppliers	(1,522,703)	(1,029,928)	(862)	(2,553,493)
Cash paid to employees	(538,142)	(493,744)	-	(1,031,886)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	722,645	1,472,604	7,709	2,202,958
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Miscellaneous (payment) collection	-	(658)	-	(658)
Interfund financing payments	-	(3,384,988)	-	(3,384,988)
Transfer from primary government	-	350,000	-	350,000
Prior year cash deficit advances	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(3,035,646)	-	(3,035,646)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase or construction of capital assets	(29,705)	(4,604,809)	-	(4,634,514)
Proceeds from sale of capital assets	10,400	-	-	10,400
Advances on notes payable	-	3,869,376	-	3,869,376
Principal paid on long-term debt	-	(971,123)	-	(971,123)
Interest paid on long-term debt	-	(221,598)	-	(221,598)
Issuance costs paid on long-term debt	-	(8,556)	-	(8,556)
Capital grants and contributions	-	3,754,046	-	3,754,046
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(19,305)	1,817,336	-	1,798,031
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	1,907	-	255	2,162
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	705,247	254,294	7,964	967,505
CASH AND CASH EQUIVALENTS, JANUARY 1	850,641	96,570	157,831	1,105,042
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,555,888	\$ 350,864	\$ 165,795	\$ 2,072,547

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, 2013

Business-Type Activities - Enterprise Funds					
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 433,642	\$ 515,905	\$ 5,661	\$ 955,208	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	274,896	1,010,266	-	1,285,162	
(Increase) decrease in:					
Special assessments receivable	(139)	6,609	-	6,470	
Taxes receivable	1,734	-	-	1,734	
Accounts receivable	3,948	6,284	2,048	12,280	
Due from component unit	28,729	10,551	-	39,280	
Inventories	603	-	-	603	
Prepaid expenses	7,013	5,419	-	12,432	
Increase (decrease) in:					
Accounts payable	(14,652)	(4,151)	-	(18,803)	
Salaries payable	499	466	-	965	
Other accrued expenses	-	-	-	-	
Deferred revenue	(26,886)	(96,570)	-	(123,456)	
Compensated absences - current	39,509	12,164	-	51,673	
Due to other governments	1,188	1,393	-	2,581	
Compensated absences - long-term	(27,439)	4,268	-	(23,171)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 722,645	\$ 1,472,604	\$ 7,709	\$ 2,202,958	

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, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hibbing (the City) 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 financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies.

A. Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the City, (2) organization 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.

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 to 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position 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 the 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 statement; all non-major funds are aggregated and presented in a single column.

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

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).

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position. 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.

Nonmajor Proprietary Funds:

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

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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. 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.

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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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, Deferred Outflows/Inflows of Resources 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.
- 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, 2013

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, intangible-easements, 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, intangible-easements, construction in progress, and gravel roads.

Effective January 1, 2010, the City adopted Governmental Accounting Standards Board Pronouncement 51 (GASB 51), "Accounting and Financial Reporting for Intangible Assets." Governments, such as the City, may possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, purchased plant capacity, patents, trademarks, and computer software (purchased or internally written). GASB 51 requires that all intangible assets be classified as capital assets (except for a few minor exclusions). Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets will be applied to intangible assets, as applicable.

Upon adoption, the City evaluated the permanent right of ways and easements acquired or obtained by the City since June 30, 1980, and determined such intangibles to be indefinite lived in nature. No other material intangibles were identified. The City did not elect to retroactively apply GASB 51 to these historical indefinite lived assets, but in accordance with GASB 51 is capitalizing intangibles acquired, obtained or created after January 1, 2010, that exceeds the City's capitalization threshold of \$5,000.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8) In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items, which arise only under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items are reported only in the governmental funds balance sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9) In the government-wide financial statements and proprietary fund type financial statements, long-term and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10) In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council's adoption of the Fund Balance Policy, the City's Finance Director and City Clerk are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of not less than 50-65% of budgeted operating expenditures for cash-flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

11) Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consist 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 position is 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.

12) The City implemented GASB 65, *Items previously reported as assets and liabilities*, in 2013. This new accounting pronouncement is described in detail in Note 20.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures

1) Property Taxes

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 (intergovernmental) in the financial statements.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and offset by a deferred inflow of resources in the governmental fund financial statements.

2) Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessments improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties to the City.

The City recognized special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are offset by a deferred inflow of resources in the fund financial statements.

3) Grant Revenue

The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements are met. Resources transmitted to the City before the eligibility requirements are met are reported as unearned revenues. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes - to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

4) Accrued Absences

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.

5) Other Postemployment Benefits

As provided in union and employment contract, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the City (see Note 16).

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund and Net Position Deficits

The following funds of the City and the Hibbing Economic Development Authority, a discretely presented component unit, had a deficit fund balance or net position at December 31, 2013:

Primary Government

Sewer Operating and Maintenance Enterprises

Fund - unrestricted net position

(\$1,288,704)

This deficit relates to large overruns that occurred in the past on a storm sewer renovation project that has and will be funded by increased sewer charges.

EDA Component Unit

Storefront Renovation Capital Project Fund

(\$101,539)

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

EDA Component Unit

Tax Increment District XI

(\$1,998)

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

EDA Component Unit

Tax Increment District XII

(\$23,446)

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		Total
		EDA	PUC	
Cash and cash equivalents				
Petty cash	\$ 1,605	\$ -	\$ -	\$ 1,605
Deposits	26,801,290	2,386,181	188,567	29,376,038
Total cash and cash equivalents	26,802,895	2,386,181	188,567	29,377,643
 Temporarily restricted assets				
Cash and cash equivalents				
	-	46,264	1,512,162	1,558,426
 Investments				
Other	867,245	-	337,001	1,204,246
Total investment	867,245	-	337,001	1,204,246
 Total	\$ 27,670,140	\$ 2,432,445	\$ 2,037,730	\$ 32,140,315

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 CASH AND CASH EQUIVALENTS (Continued)

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of 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 or 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 \$30,102,585; the bank balance was \$24,458,814. At December 31, 2013, the carrying amount of Hibbing Public Utility Commission's deposits was \$1,692,729 and the bank balance was \$1,622,135. 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 the 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 Protection Insurance (SIPC) and excess SIPC coverage. At year end the City had \$867,245 held by a broker-dealer.

Credit Risk and Concentration of Credit Risk

The City has 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, 2013, the City had the following investments:

	<u>Fair Value</u>	<u>Rating</u>
Primary Government		
Minnesota Municipal Money		
Market (4M) Fund	\$ 1,229	Not rated
Government Bonds		
FNMA/FHLMC	866,016	Moody AAA
Total Fair Value	<u>\$ 867,245</u>	
Component Unit - EDA		
Wells Fargo Government Advantage		
Money Market Fund	\$ 46,264	Not rated
Total Fair Value	<u>\$ 46,264</u>	

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, 2013, 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, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 1,647,454	\$ 4,536	\$ -	\$ -	\$ 1,651,990
Intangible - easements	25,600	-	-	-	25,600
Artwork	1,819,350	-	-	-	1,819,350
Gravel roads	2,909,500	-	-	-	2,909,500
Construction in progress	86,646	1,641,369	-	(92,105)	1,635,910
Total capital assets, not being depreciated	6,488,550	1,645,905	-	(92,105)	8,042,350
Capital assets, being depreciated:					
Infrastructure	23,837,501	14,752	-	-	23,852,253
Buildings and improvements	21,654,799	49,923	-	92,105	21,796,827
Equipment, machinery, and furniture	11,032,776	827,433	(201,033)	-	11,659,176
Total capital assets, being depreciated	56,525,076	892,108	(201,033)	92,105	57,308,256
Less accumulated depreciation for:					
Infrastructure	(16,516,142)	(892,146)	-	-	(17,408,288)
Buildings and improvements	(14,076,782)	(479,395)	-	-	(14,556,177)
Equipment, machinery, and furniture	(8,061,914)	(699,964)	185,789	-	(8,576,089)
Total accumulated depreciation	(38,654,838)	(2,071,505)	185,789	-	(40,540,554)
Total capital assets, being depreciated, net	17,870,238	(1,179,397)	(15,244)	92,105	16,767,702
Governmental activities capital assets, net	\$ 24,358,788	\$ 466,508	\$ (15,244)	\$ -	\$ 24,810,052

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 4 CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land and improvements	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	4,358,086	4,414,934	- -	(1,399,402)	7,373,618
Total Capital assets, not being depreciated	4,781,805	4,414,934	- -	(1,399,402)	7,797,337
Capital assets, being depreciated:					
Infrastructure	12,207,675	- -	- -	1,399,402	13,607,077
Buildings and improvements	25,048,635	- -	- -	- -	25,048,635
Equipment, machinery, and furniture	3,941,011	69,362	(31,654)	(53,424)	3,925,295
Total capital assets, being depreciated	41,197,321	69,362	(31,654)	1,345,978	42,581,007
Less accumulated depreciation for:					
Infrastructure	(658,555)	(314,660)	- -	- -	(973,215)
Buildings and improvements	(9,398,262)	(571,132)	- -	- -	(9,969,394)
Equipment, machinery, and furniture	(2,709,372)	(399,371)	31,654	53,424	(3,023,665)
Total accumulated depreciation	(12,766,189)	(1,285,163)	31,654	53,424	(13,966,274)
Total capital assets being depreciated, net	28,431,132	(1,215,801)	- -	1,399,402	28,614,733
Business-type activities capital assets, net	\$ 33,212,937	\$ 3,199,133	\$ - -	\$ - -	\$ 36,412,070

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

Governmental activities

General government	\$ 255,507
Public safety	359,261
Public works	1,211,189
Culture and recreation	232,154
Economic development	(1,324)
Transportation	14,718
Total depreciation expense-governmental activities	\$ 2,071,505

Business-type activities

Garbage and refuse collection	\$ 274,896
Sewer operating and maintenance	1,010,266
Total depreciation expense-business-type activities	\$ 1,285,162

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 4 CAPITAL ASSETS (Continued)

Activity for the Hibbing Economic Development Authority for the year ended December 31, 2013, was as follows:

Discretely presented component units

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
Capital assets, not being depreciated:					
Land and improvements	\$ 255,843	\$ 2,757	\$ -	\$ -	\$ 258,600
Total capital assets, not being depreciated	255,843	2,757	-	-	258,600
Capital assets, being depreciated:					
Infrastructure	19,699	-	-	-	19,699
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	-	-	-	-	-
Total capital assets, being depreciated	19,699	-	-	-	19,699
Less accumulated depreciation for:					
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	(1,314)	(655)	-	-	(1,969)
Total accumulated depreciation	(1,314)	(655)	-	-	(1,969)
Total capital assets, being depreciated, net	18,385	(655)	-	-	17,730
Hibbing Economic Development Authority capital assets, net	\$ 274,228	\$ 2,102	\$ -	\$ -	\$ 276,330

Activity for the Hibbing Public Utilities Commission for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
Capital assets, not being depreciated:					
Construction in progress	\$ 840,217	\$ 889,602	\$ -	\$ -	\$ 1,729,819
Total capital assets, not being depreciated	840,217	889,602	-	-	1,729,819
Capital assets, being depreciated:					
Buildings and grounds	10,747,909	118,899	-	-	10,866,808
Transmission and distribution system	47,532,781	1,152,922	-	-	48,685,703
Equipment, machinery, and furniture	51,096,193	1,492,961	(126,989)	-	52,462,165
Total capital assets, being depreciated	109,376,883	2,764,782	(126,989)	-	112,014,676
Less total accumulated depreciation	(71,297,614)	(2,982,022)	107,123	-	(74,172,513)
Total Capital assets, being depreciated, net	38,079,269	(217,240)	(19,866)	-	37,842,163
Hibbing Public Utilities Commission capital assets, net	\$ 38,919,486	\$ 672,362	\$ (19,866)	\$ -	\$ 39,571,982

NOTE 5 OPERATING LEASES

The City has a sublease agreement with St. Louis County for office facilities for its police department. The City also has lease agreements for office related equipment. Total cost for these leases was \$71,042 for the year ended December 31, 2013. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2014	\$ 112,146
2015	66,329
2016	10,577
2017 - 2027	60,364
	\$ 249,416

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 6 LINE OF CREDIT

The PUC has entered into a line of credit agreement with its primary bank. The agreement established a maximum credit amount of \$1,000,000 and carries an interest rate of 0.5% above the Wall Street Journal prime rate. The agreement matured on November 1, 2013. As of December 31, 2013, no amounts had been drawn down on the line.

NOTE 7 LONG-TERM DEBT

The City has 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.

In 2013, the City issued \$3,585,000 General Obligation Bonds, Series 2013A. The proceeds of the Bonds are to be used as follows: \$2,890,000 to finance road construction project costs and \$695,000 to finance purchase of equipment. The Bonds are payable from annual municipal state aid allotments and from ad valorem taxes.

In 2012, the City issued \$2,900,000 General Obligation Bonds, Series 2012A, which was used to finance \$1,890,000 of equipment purchases primarily for the fire, police, and public works departments and \$1,010,000 for improvements to the municipal sewer system. The equipment portion of the bond is payable from ad valorem taxes and the sewer system improvement portion of the bond is payable from revenues of the City's municipal sewer utility system.

In 2012, the City issued a \$4,912,830 General Obligation Sewer Revenue Note for a wastewater treatment plant improvement project, which is reflected in the Business-Type Activity. Advances are made to this loan as the City submits cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2013, the City had advanced \$3,854,886 against the approved loan of \$4,912,830. The City has made draws on this loan during 2014 for the project. The entire loan amount of \$4,912,830 is reflected in the projected principal payments.

During 2010, as reflected in the Business-Type Activity, the City issued a \$1,726,575 General Obligation Sewer Revenue Note to provide for sanitary sewer improvement projects. Advances are made on this loan as the City submits cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2013, the City had advanced \$1,533,748 against the approved loan of \$1,726,575. The City made draws on the remaining balance of \$192,827 during 2014 on eligible projects. Thus, the entire loan amount of \$1,726,575 is reflected in the projected principal payments.

The City has also issued long-term 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. Included in the lease purchase obligations are lease agreements between the City and the EDA-Component Unit for repayment of debt issued by the EDA-Component Unit for construction on the expansion of a public works facility and an animal shelter. The amount of the obligation related to the EDA-Component Unit at December 31, 2013 was \$369,906.

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.

In 2010, the City authorized the issuance of a Taxable General Obligation Drinking Water Revenue Note in the amount of \$948,350, payable to the Minnesota Public Facilities Authority. Advances are made on this loan as the Public Utilities Commission submits cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2013, the Public Utilities Commission's notes payable balance on this loan was \$617,000. The net revenues of the Public Utilities municipal water system are pledged first to repay the Note and second are ad valorem taxes levied by the City in the event proceeds of the net revenue are insufficient to pay principal and interest when due. In accordance with Generally Accepted Accounting Principles, the 2010 Taxable General Obligation Drinking Water Revenue Note is recorded in the financial statements of the Public Utilities Commission.

CITY OF HIBBING MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 7 LONG-TERM DEBT (Continued)

Components of long-term liabilities are as follows:

Primary Government Governmental Activities	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds					
2007 A Equipment	12/1/2007	4.00%	\$ 440,000	2/1/2017	\$ 80,000
Series 2009B	5/1/2009	0.75-3.50%	\$ 1,370,000	2/1/2019	575,000
Series 2012A	2/1/2012	0.40-1.70%	\$ 1,890,000	2/1/2017	1,635,000
Series 2013A	11/1/2013	2.00-3.50%	\$ 3,585,000	2/1/2029	3,585,000
Plus: Unamortized Bond Premium					<u>30,038</u>
Total General obligation bonds					<u>5,905,038</u>
Certificates of indebtedness					
Series 2005A	12/1/2005	4.68%	\$ 565,000	8/1/2015	60,000
Series 2006A	11/1/2006	4.21%	\$ 455,000	11/1/2016	<u>93,000</u>
Total Certificates of indebtedness					<u>153,000</u>
Lease purchase obligations	2/1/2009	1.75-4.40%	\$ 462,500	2/1/2024	369,906
Compensated absences payable					213,885
OPEB liability					<u>10,986,414</u>
Governmental Activities Long-term Liabilities					<u>\$ 17,628,243</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 7 LONG-TERM DEBT (Continued)

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
Business-Type Activity					
General obligation revenue					
2003 Sewer Notes	1/29/2003	1.74%	\$ 9,847,450	8/20/2022	\$ 5,122,000
2007A Sewer Revenue Bonds	12/1/2007	4.00-4.10%	\$ 2,365,000	2/1/2028	1,940,000
2010 Sewer Revenue Note	11/30/2010	1.34%	\$ 1,726,575	8/20/2025	1,267,173
2012A General Obligation Bond	2/1/2012	0.40-2.85%	\$ 1,010,000	2/1/2032	970,000
Less: Unamortized bond discount					(6,363)
2012 Sewer Revenue Note	10/23/2012	1.00%	\$ 4,912,830	8/20/2031	3,651,056
Compensated absences payable					88,261
Business-Type Activities Long-term Liabilities					
Total Primary Government Long-Term Liabilities					
					13,032,127
					30,660,370
Discretely Presented Component Units					
EDA					
Bonds and notes payable					
1997B General Obligation					
Tax Increment Bonds	8/1/1997	7.50%	\$ 320,000	2/1/2017	135,000
1999A General Obligation					
Tax Increment Bonds	10/1/1999	7.49%	\$ 165,000	2/1/2016	50,000
2009A Public Project					
Revenue Bonds	5/7/2009	1.75-4.50%	\$ 462,500	2/1/2024	369,906
Total EDA-Component Unit Long-Term Liabilities					
					554,906
PUC					
Bonds, notes, and real estate mortgage payable					7,298,489
Compensated absences payable					1,013,745
OPEB liability					14,308,347
Total PUC-Component Unit Long-Term Liabilities					
					22,620,581
Total Reporting Entity					
					\$ 53,835,857

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Primary Government					
Governmental Activities					
General obligation bonds payable	\$ 2,825,000	\$ 3,585,000	\$ (535,000)	\$ 5,875,000	\$ 480,000
Unamortized bond premiums	\$ -	30,038	\$ -	\$ 30,038	-
Certificates of indebtedness	211,000	-	(58,000)	153,000	60,000
Leases payable	393,215	-	(23,309)	369,906	24,707
Compensated absences payable	250,387	69,682	(106,184)	213,885	-
OPEB liability	10,050,721	2,107,823	(1,172,130)	10,986,414	-
Governmental Activities-Long-Term Liabilities					
	\$ 13,730,323	\$ 5,792,543	\$ (1,894,623)	\$ 17,628,243	\$ 564,707

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 7 LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
GO revenue notes payable	\$ 7,007,683	\$ 3,869,376	\$ (836,830)	\$ 10,040,229	\$ 884,000
GO revenue bonds payable	3,045,000	-	(135,000)	2,910,000	140,000
Unamortized bond discounts	(7,070)	-	707	(6,363)	-
Compensated absences payable	52,885	35,376	-	88,261	-
Business-Type Activities					
Long-term Liabilities	10,098,498	3,904,752	(971,123)	13,032,127	1,024,000
Total Primary Government	<u>\$ 23,828,821</u>	<u>\$ 9,697,295</u>	<u>\$ (2,865,746)</u>	<u>\$ 30,660,370</u>	<u>\$ 1,588,707</u>
Discretely Presented Component Units					
EDA					
Bonds payable	\$ 618,215	\$ -	\$ (63,309)	\$ 554,906	\$ 69,707
PUC					
Bonds, notes, and real estate mortgage payable	\$ 8,379,956	\$ -	\$ (1,081,467)	\$ 7,298,489	\$ 1,013,152
Compensated absences payable	1,061,110	-	(47,365)	1,013,745	-
OPEB liability	12,214,689	3,064,672	(971,014)	14,308,347	-
PUC-Component Unit					
Long-term Liabilities	\$ 21,655,755	\$ 3,064,672	\$ (2,099,846)	\$ 22,620,581	\$ 1,013,152
Total	\$ 46,102,791	\$ 12,761,967	\$ (5,028,901)	\$ 53,835,857	\$ 2,671,566

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

Year Ending December 31	Primary Government					
	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 564,707	\$ 121,814	\$ 1,024,000	\$ 238,297	\$ 1,588,707	\$ 360,111
2015	692,190	133,080	1,036,000	232,846	1,728,190	365,926
2016	694,761	119,277	1,060,000	215,080	1,754,761	334,357
2017	674,427	105,924	1,079,000	196,819	1,753,427	302,743
2018	591,192	95,746	1,098,000	178,080	1,689,192	273,826
2019-2023	1,836,382	325,218	5,146,000	593,807	6,982,382	919,025
2024-2028	1,109,247	128,402	2,663,000	221,381	3,772,247	349,783
2029-2032	235,000	4,113	1,095,000	31,245	1,330,000	35,358
Total	<u>\$ 6,397,906</u>	<u>\$ 1,033,574</u>	<u>\$ 14,201,000</u>	<u>\$ 1,907,555</u>	<u>\$ 20,598,906</u>	<u>\$ 2,941,129</u>

Year Ending December 31	Component Units			
	EDA		PUC	
	Principal	Interest	Principal	Interest
2014	\$ 69,707	\$ 26,311	\$ 1,013,152	\$ 172,698
2015	71,190	22,206	1,053,666	149,394
2016	82,761	17,614	1,078,773	122,328
2017	69,427	13,086	1,108,114	94,266
2018	31,192	10,486	788,696	67,406
2019-2023	186,382	31,092	1,972,702	182,056
2024-2028	44,247	996	300,000	21,357
Total	<u>\$ 554,906</u>	<u>\$ 121,791</u>	<u>\$ 7,315,103</u>	<u>\$ 809,505</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 7 LONG-TERM DEBT (Continued)

Conduit Debt

The City entered into a joint powers agreement pursuant to Minnesota Statute §471.59 with the City of Buhl. The purpose of the agreement is to help a Minnesota non-profit corporation refinance projects for three facilities used to provide residential services to adults with developmental disabilities in both cities by issuing revenue obligations pursuant to Minnesota Statute §469.152-.165. The City of Buhl is the "issuer", and the City of Hibbing gave "host consent". 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 Minnesota Statute §471.59 with the City of Virginia. The purpose of the agreement is to help a Minnesota non-profit corporation refinance and finance projects for health care facilities in both cities by issuing revenue obligations pursuant to Minnesota Statute §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 issued a tax-exempt manufacturing facilities revenue note pursuant to Minnesota Statute §469.152-.165. The purpose of the note is to help two Minnesota non-profit corporations refinance their manufacturing facilities located in the City of Hibbing and the City of Grand Rapids. This note is not a debt to the City. The two non-profit corporations are obligated to repay the note directly to the lender of the note as stated in a pledge agreement between the City of Hibbing and the lender. The note will not constitute a charge, lien or encumbrance upon property of the City. 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 four issues outstanding. The aggregate amount payable at December 31, 2013, is \$13,602,712. Records for revenue bonds or notes issued prior to 1995 are not available.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 8 INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of December 31, 2013, 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 Primary Government</u>
Primary Government				
General Fund	\$ 1,846,315	\$ -	\$ -	\$ -
Other Post Employment Benefits Debt				
Service Fund	-	-	-	-
Enterprise Funds	-			
Garbage and Refuse	-	196,384	-	-
Sewer Operating and Maintenance	-	208,499	1,846,315	-
Total Primary Government	\$ 1,846,315	\$ 404,883	\$ 1,846,315	\$ -
Component Units				
Hibbing Economic Development Authority EDA				
General Fund	\$ 24,708	\$ -	\$ -	\$ -
Tax Increment XI	-	-	1,664	-
Tax Increment XII	-	-	23,044	-
Economic Development Special				
Revenue Fund	103,000	-	-	-
Storefront Renovation Capital				
Projects Funds	-	-	103,000	-
Subtotal HEDA	127,708	-	127,708	-
Hibbing Public Utilities Commission	-	-	-	404,883
Total Component Units	\$ 127,708	\$ -	\$ 127,708	\$ 404,883

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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 8 INTERFUND BALANCES AND ACTIVITY (continued)

Interfund transfers for the year ended December 31, 2013, 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	\$ -	\$ (1,586,993)
Library	30,231	-
Capital Projects Funds		
Privately Financed	50,000	-
Capital Equipment and Improvement	150,000	(50,000)
Mining Effects	634,762	-
Debt Service Funds		
Other Postemployment Benefits	317,000	-
Enterprise Funds		
Sewer Operating and Maintenance	350,000	-
Total Primary Government	<u>\$ 1,531,993</u>	<u>\$ (1,636,993)</u>
Hibbing Economic Development Authority EDA - Component Units		
General Fund	\$ 105,000	\$ (6,118)
Economic Development Special Revenue Fund	-	-
Tax Increment XI	6,118	-
Total Hibbing Economic Development Authority EDA - Component Units	<u>\$ 111,118</u>	<u>\$ (6,118)</u>

Transfers are used to: (1) eliminate deficit fund balances, (2) help fund operating losses or deficits, (3) establish new funds, (4) provide funding in the OPEB debt service fund, and (5) provide matching funds for grant projects.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 9 FUND BALANCE CLASSIFICATION

Restricted Net Position

The amount reported as restricted net position on the Statement of Net Position is comprised of the following:

Primary Government

Library	\$ 218,105
Contracted professional services	18,418
Economic development	50,000
Debt service	1,175,784
Capital projects	2,943,414
Gambling 10% contribution fund	10,183
Police forfeiture fund	40,259
Total Restricted Net Position	<u>\$ 4,456,163</u>

At December 31, 2013, a summary of the governmental fund balance classifications are as follows:

	General Fund	Library Special Revenue Fund	Non-Major Governmental Fund	Total
Nonspendable:				
Investment in Minnesota Community capital fund	\$ -	\$ -	\$ 50,000	\$ 50,000
Prepaid items	<u>18,418</u>	<u>7,271</u>	<u>-</u>	<u>25,689</u>
Total nonspendable	<u>\$ 18,418</u>	<u>\$ 7,271</u>	<u>\$ 50,000</u>	<u>\$ 75,689</u>
Restricted for:				
Debt service	\$ -	\$ -	\$ 1,175,784	\$ 1,175,784
Capital equipment and improvements	- -	- -	2,943,414	2,943,414
Library operations	- -	210,834	- -	210,834
Gambling 10% contribution fund	10,183	- -	- -	10,183
Police forfeiture fund	40,259	- -	- -	40,259
Total restricted	<u>\$ 50,442</u>	<u>\$ 210,834</u>	<u>\$ 4,119,198</u>	<u>\$ 4,380,474</u>
Committed to:				
Housing incentive	\$ -	\$ -	\$ 48,506	\$ 48,506
Small Cities development	- -	- -	24,893	24,893
Economic development	- -	- -	34,802	34,802
OPEB obligation	- -	- -	4,872,341	4,872,341
Memorial Building	- -	- -	193,315	193,315
Capital equipment and improvements	- -	- -	2,066,761	2,066,761
Total committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,240,618</u>	<u>\$ 7,240,618</u>
Assigned to:				
2014 budget	\$ 8,005,146	\$ -	\$ -	\$ 8,005,146
Future state aid reduction	- -	- -	- -	- -
Future capital projects funded from sale of assets	514,853	- -	- -	514,853
Workers' compensation premium adjustments	372,750	- -	- -	372,750
Other improvement projects	- -	- -	664,692	664,692
Total assigned	<u>\$ 8,892,749</u>	<u>\$ -</u>	<u>\$ 664,692</u>	<u>\$ 9,557,441</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 \$115,000 in settlements in excess of insurance in 2011 and none in the previous two fiscal years. There were no settlements in excess of insurance coverage in 2013 and 2012.

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.

NOTE 11 TAX INCREMENT FINANCING DISTRICTS

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

Tax Increment Financing District	No. VII	No. VIII	No. XI	No. XII
Redevelopment project district established in:	1993	-	1999	2012
Economic development district established in:	-	-	-	-
Qualified housing district established in:	-	1993	-	-
Anticipated last tax increment year:	2019	2020	2025	2038
Original net tax capacity:	\$ 3,422	\$ -	\$ 525	\$ 12,660
Current net tax capacity:	\$ 49,360	\$ 8,377	\$ 13,262	\$ 12,660
Fiscal disparity deduction:	\$ -	\$ -	\$ 3,192	\$ -
Captured net tax capacity retained by Authority:	\$ 45,938	\$ 8,377	\$ 9,545	\$ -
Total bonds issued				
Tax increment bonds	\$ 320,000	\$ -	\$ 165,000	\$ -
Tax increment note	-	-	-	-
Amount redeemed	(185,000)	-	(115,000)	-
Outstanding bonds at December 31, 2013	\$ 135,000	\$ -	\$ 50,000	\$ -

NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES

Commitments

In March 2010, the City entered into an agreement for management of the City recycling center. The term of the agreement is for six years and provides for an annual fee of \$144,000 with an adjustment based upon increases in the cost of living index. The agreement may be terminated upon specific events of default.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES (continued)

Library and Fire Hall Solar Panel Agreements

During 2012, the City entered into a Facility Lease Agreement, Energy Performance Guarantee, Power Purchase Agreement, and Put and Call Agreement with a solar panel company for the installation of a solar energy generation system (the System) at the City Library and Fire Hall. The Facility Lease Agreement and Power Purchase Agreements have twenty year terms. The Facility Lease Agreement calls for the solar panel company to lease roof space from the City for the installation and operation of the System and defines that the System remains the property of the solar panel company. The Power Purchase Agreement defines the rate the City will pay for future purchases of energy generated by the System. The Energy Performance Guarantee is related to a guarantee of aggregate net utility savings to the City over the first five years of the operation of the System. The Put and Call Agreement defines future potential opportunities of the City or solar company in regards to ownership of the System. Under this Put and Call Agreement, the solar panel company has the right for a six month period following the fifth year of operation of the System, to require the City to purchase the System from the solar panel company in the amount of \$3,500. Should this "put" option not be exercised by the solar panel company, the City has a "call" option for a period of one year following the last day of the "put" period requiring the solar panel company to sell the System to the City. The purchase price under the "call" provision is based on fair market value as determined by a qualified appraiser selected by the City at such time.

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 collectability of any related receivable at December 31, 2013, 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 twelve outstanding construction projects as of December 31, 2013. The projects are evidenced by contractual commitments with contractors and engineers and include:

Project	Spent to Date	Commitments Remaining
Capital Projects Funds		
Capital Equipment and improvement		
Memorial Building Arena	\$ 40,276	\$ 9,170
Curling Club	1,101,126	46,366
Susquehanna Mt. Bike Park	3,496	-
Permanent Improvement		
Rainy Road Bridge	11,715	5,129
Koivu Road Bridge	3,819	3,089
Dixon Bridge	4,388	-
Tapala Road	471,090	22,343
City Paving Project	2,704,807	27,048
City Sidewalks Project	98,058	4,903
Total Capital Fund Project	4,438,775	118,048

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES (continued)

Enterprise Fund

Sewer Operating and Maintenance Fund

Phase 6 Sewer Improvements	246,306	6,629
Brooklyn Sewer Improvements	62,263	5,743
Hwy 169 West Utility Projects	43,587	13,797
Sanitary Sewer Lining Project	227,579	53,093
Mercury Project	<u>7,021,462</u>	<u>97,478</u>

Total Sewer Operating and Maintenance Fund

	<u>7,601,197</u>	<u>176,740</u>
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Total All Funds

	<u>\$ 12,039,972</u>	<u>\$ 294,788</u>
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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. In 2012, the debt was fully repaid. Funds that remain related to the Central Range Public Works at December 31, 2013, was as follows:

Assets	\$ 73,812
Fund Balance	\$ 73,812

Complete financial information can be obtained from the City of Hibbing Finance Director, Sherri Renskers, 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 2013, 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 2013, 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. As of 2014, the City was no longer a member and received repayment of its \$50,000 receivable.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS

Primary Government

The City provides postretirement health and life insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years of service and age needed to qualify for these postretirement benefits. The contracts also establish the amount the City will contribute towards the purchase of health insurance. Employer contributions are financed on a pay-as-you-go basis.

Effective for 2008, the City implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits and life insurance benefits provided by the City. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$42,567,876 at January 1, 2008, date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability was reported for the postemployment health care benefits liability at the date of transition.

Plan Description

Pursuant to the provisions of contracts with bargaining units or other employment contracts, former employees who retire from the City and eligible dependents, may continue to participate in the City's plan for medical and life coverage. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The benefits provided under this defined benefit plan are provided for life. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Funding Policy

The City has not advance-funded or established a funding methodology, other than transferring funds to the Other Postemployment Benefits Debt Service Fund. For 2013, 2012, and 2011, there were 222, 211, and 215 retirees and eligible dependents, respectively, that received postemployment benefits. The City provided required contributions of \$1,172,130, \$1,434,672 and \$1,338,121 for 2013, 2012 and 2011, respectively, toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees, and net of retiree contributions totaling \$265,684, \$314,702 and \$302,132 for 2013, 2012 and 2011, respectively. Required contributions are based on projected pay-as-you-go financing.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the years ended December 31, 2013, 2012 and 2011, respectively:

	2013	2012	2011
Normal cost (service cost for one year)	\$ 591,692	\$ 772,524	\$ 748,207
Amortization of unfunded actuarial accrued liability	\$ 1,774,989	\$ 1,914,443	\$ 1,913,652

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	2013	2012	2011
Annual required contribution	\$ 2,366,681	\$ 2,686,967	\$ 2,661,859
Interest on net OPEB obligation	301,522	292,755	256,993
Adjustment to annual required contribution	<u>(560,380)</u>	<u>(502,169)</u>	<u>(430,381)</u>
Annual OPEB cost (expense)	2,107,823	2,477,553	2,488,471
Contribution toward the OPEB cost	<u>(1,172,130)</u>	<u>(1,434,672)</u>	<u>(1,388,121)</u>
Increase in net OPEB obligation	935,693	1,042,881	1,100,350
Net OPEB Obligation, Beginning of Year	10,050,721	9,007,840	7,907,490
Net OPEB Obligation, End of Year	<u>\$ 10,986,414</u>	<u>\$ 10,050,721</u>	<u>\$ 9,007,840</u>
Percentage of annual OPEB cost contributed	<u>55.6%</u>	<u>57.9%</u>	<u>55.8%</u>

Funding Status and Funding Progress

As of December 31, 2013, 2012 and 2011, respectively, the actuarial accrued liability for benefits was \$30,761,648, \$34,926,227, and \$34,267,574 and the actuarial value of assets was zero for all three years. The covered payroll (annual payroll of active participating employees) was \$8,188,216, \$7,966,015 and \$8,041,015 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 375.7, 438.5, and 426.2 percent for 2013, 2012 and 2011, respectively.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's prior OPEB actuarial valuation was as of January 1, 2011, and the latest actuarial valuation was as of January 1, 2013. Both valuations used the projected unit credit cost actuarial cost method to estimate both the unfunded actuarial liability as of December 31, 2013, 2012 and 2011, and to estimate the City's 2013, 2012 and 2011 annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the January 1, 2013 actuarial assumptions include a 3.0 percent rate of return on invested assets, which is the City's long-term expectation of investment returns under its investment policy. The January 1, 2013, actuarial assumptions include an annual healthcare cost trend rate of 9.5% for 2013, 6.59% for 2014, 5.2% for 2015 and ranging from 6.4% to 4.4% for years 2016 to 2083 and later. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at December 31, 2013, is 25 years.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Component Unit - Hibbing Public Utilities Commission

Plan Description

The Commission provides health care and dental insurance benefits for retired Commission employees. Commission employees become eligible for such benefits upon retirement. During the years ended December 31, 2013 and 2012, the Commission expended \$971,014 and \$778,206, respectively, for benefits for approximately 44 retirees in 2013 and 41 retirees in 2012.

Annual OPEB Cost and Net OPEB Obligation

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

	2013	2012	2011
Annual required contribution	\$ 3,348,639	\$ 3,305,078	\$ 3,262,888
Interest on net OPEB obligation	396,977	321,913	243,527
Adjustment to annual required contribution	<u>(680,944)</u>	<u>(539,100)</u>	<u>(398,679)</u>
Annual OPEB cost	3,064,672	3,087,891	3,107,736
Contribution during the year	971,014	778,206	695,862
Increase in net OPEB obligation	2,093,658	2,309,685	2,411,874
Net OPEB Obligation, Beginning of Year	<u>12,214,689</u>	<u>9,905,004</u>	<u>7,493,130</u>
Net OPEB Obligation, End of Year	<u>\$ 14,308,347</u>	<u>\$ 12,214,689</u>	<u>\$ 9,905,004</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year End:	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
			Cost Contributed		
December 31, 2013	\$ 3,064,672	\$ 971,014	31.7%		\$ 14,308,347
December 31, 2012	\$ 3,087,891	\$ 778,206	25.2%		\$ 12,214,689
December 31, 2011	\$ 3,107,736	\$ 695,862	22.3%		\$ 9,905,004

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress

The actuarial accrued liability for benefits at January 1, 2011 (the date of the most recent valuation) was \$35,764,656. The Commission currently has no assets that have been irrevocably deposited in a trust for future health benefits, thus the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$5,674,104. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 630.31 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.25 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the Commission. The annual healthcare cost trend rate is 7.6 percent initially, reduced incrementally to an ultimate rate of 4.6 percent. The unfunded actuarial accrued liability is being amortized at a level dollar amount over 30 years.

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). 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 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 17 EQUITY IN JOINT VENTURE (Continued)

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 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 the 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.

As of December 31, 2013 and 2012, respectively, the Commission has reported on its balance sheet an investment of \$11,347,962 and \$11,336,423, 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 position for the year. In addition, interest of \$133,687 has been capitalized in conjunction with the development of the Authority.

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 financial statements:

	2013	2012
Current assets	\$ 5,543,955	\$ 5,915,116
Non-current restricted assets	10,784,038	10,517,941
Other assets	1,806,932	2,308,987
Capital assets	53,790,989	55,766,653
Total assets	71,925,914	74,508,697
Current liabilities	12,646,137	11,160,271
Non-current liabilities	36,851,228	40,882,953
Total liabilities	49,497,365	52,043,224
Net position	22,428,549	22,465,473
Total operating revenues	37,084,107	35,166,556
Operating expenses	35,017,159	31,990,506
Non-operating expenses	2,691,353	2,536,121
Capital contributions	-	-
Change in net position	277,303	639,929

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 General Employees Retirement Fund (GERF), 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.

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

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

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 18 DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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 GERF 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. The City of Hibbing, Minnesota, is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members, and 14.4% for PEPFF Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$301,386, \$309,385 and \$316,820, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$480,502, \$452,188, and \$430,468, respectively. The Hibbing Public Utilities' contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$392,976, \$374,001, and \$367,685, respectively. The City and Public Utility contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 19 DEFINED CONTRIBUTION PLAN

Three 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 plan provisions, including 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 their annual 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 2013 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employee	Employer	
\$ 718	\$ 718	5.00%	5.00%	5.00%

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "*Items Previously Reported as Assets and Liabilities*." This standard required retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2013 financial statements.

The following schedule reconciles the previously reported December 31, 2012 balances to the amounts reported in the December 31, 2013 financial statements:

Activities/Fund	Net Position December 31, 2012 as Previously Reported	Restatement for Write-off of Unamortized Bond Issuance Costs	Net Position January 1, 2013 as Restated
Business-Type Activities	\$ 21,334,974	\$ (11,404)	\$ 21,323,570
Proprietary Funds: Sewer Fund	\$ 19,063,742	\$ (11,404)	\$ 19,052,338

NOTE 21 NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

NOTE 22 SUBSEQUENT EVENTS

Tax Increment Financing District No. 12 - Bond Issuance:

In February 2014, the Hibbing Economic Development Authority issued \$830,000 of taxable general obligation - tax increment bonds. The funds are being used to finance costs associated with the construction of a 75 unit (or larger) hotel within the redevelopment district. The bonds will be repaid through tax increment revenues generated.

Hibbing Raceway - Transfer of Property from Saint Louis County:

In February 2014, Saint Louis County transferred the county's ownership in the land, racing facility and storage facility located in Hibbing, to the City of Hibbing. In conjunction with this asset transfer, the Saint Louis County Board made a transfer of \$250,000. These funds are to be used for racetrack facility upgrades and maintenance.

Consideration of Subsequent Events

The City has evaluated subsequent events through June 27, 2014, the date which the financial statements were available to be issued.

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, 2013

	Budgeted Amounts		Variance with Final Budget-	
			Actual Amounts, Budgetary Basis	Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,604,234	\$ 4,604,234	\$ 5,113,237	\$ 509,003
Licenses and permits	120,235	120,235	155,649	35,414
Intergovernmental	8,851,260	8,851,260	9,041,306	190,046
Charges for services	2,077,600	2,077,600	2,464,855	387,255
Fines	120,000	120,000	131,962	11,962
Gifts and contributions	-	-	637	637
Investment income (loss)	10,000	10,000	(21,999)	(31,999)
Miscellaneous	70,500	70,500	147,237	76,737
TOTAL REVENUES	15,853,829	15,853,829	17,032,884	1,179,055
EXPENDITURES				
Current				
General government	1,941,241	1,941,241	1,713,082	228,159
Public safety	6,317,447	6,317,447	6,268,498	48,949
Public works	2,980,942	2,980,942	2,707,417	273,525
Culture and recreation	1,765,323	1,765,323	1,766,182	(859)
Economic development	120,225	120,225	14,937	105,288
Transportation	300,150	300,150	267,252	32,898
Miscellaneous	2,398,270	2,398,270	2,053,889	344,381
Debt Service				
Principal	-	-	23,309	(23,309)
Interest and other charges	-	-	14,759	(14,759)
TOTAL EXPENDITURES	15,823,598	15,823,598	14,829,325	994,273
EXCESS OF REVENUES OVER EXPENDITURES				
	30,231	30,231	2,203,559	2,173,328
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(30,231)	(30,231)	(1,586,993)	(1,556,762)
Sale of capital assets	-	-	6,891	6,891
TOTAL OTHER FINANCING SOURCES (USES)	(30,231)	(30,231)	(1,580,102)	(1,549,871)
NET CHANGE IN FUND BALANCES				
FUND BALANCES - JANUARY 1	12,289,384	12,289,384	12,289,384	-
FUND BALANCES - DECEMBER 31	\$ 12,289,384	\$ 12,289,384	\$ 12,912,841	\$ 623,457

CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year ended December 31, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis		Variance with Final Budget- Positive (Negative)
			Original	Final	
REVENUE					
Taxes	\$ 586,043	\$ 586,043	\$ 585,446	\$ (597)	
Intergovernmental			597	597	
Charges for services	14,814	14,814	20,352	5,538	
Gifts and contributions	15,186	15,186	9,421	(5,765)	
Investment income (loss)			241	241	
Miscellaneous					
TOTAL REVENUE	616,043	616,043	616,057	14	
EXPENDITURES					
Current					
Culture and recreation	646,274	646,274	632,205	14,069	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(30,231)	(30,231)	(16,148)	14,083	
OTHER FINANCING SOURCES (USES)					
Transfers in	30,231	30,231	30,231	-	
Transfers out					
TOTAL OTHER FINANCING SOURCES (USES)	30,231	30,231	30,231	-	
NET CHANGE IN FUND BALANCES	-	-	14,083	14,083	
Fund Balances - January 1	204,022	204,022	204,022	-	
Fund Balances - December 31	\$ 204,022	\$ 204,022	\$ 218,105	\$ 14,083	

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA
Year ended December 31, 2013

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 a "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 2008. 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 conditions. 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 65 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 up to legal speed limit.	4

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA (CONTINUED)

Year ended December 31, 2013

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 3. As of December 31, 2013, the City's gravel roads all rated at a Level 3.

The City expended \$379,983 on gravel road maintenance for the year ended December 31, 2013. This amount in 2013, included 20 road lifts and several spot road repairs. These routine maintenance expenditures delayed deterioration. The budget required to maintain and improve the current level of overall condition through the year 2015 is a minimum of \$600,000 (\$200,000 projected budget each year for the years ending December 31, 2013, 2014, and 2015).

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, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013, is presented below:

Year	Estimated		Actual	Funded by
	Annual	Expenditures		
2006	\$ 125,000	\$ 141,244	\$ 141,244	
2007	\$ 132,832	\$ 146,959	\$ 146,959	
2008	\$ 139,680	\$ 150,345	\$ 150,345	
2009	\$ 175,311	\$ 192,151	\$ 192,151	
2010	\$ 175,311	\$ 183,088	\$ 183,088	
2011	\$ 180,000	\$ 331,896	\$ 331,896	
2012	\$ 200,000	\$ 362,118	\$ 362,118	
2013	\$ 200,000	\$ 379,983	\$ 379,983	

CITY OF HIBBING, MINNESOTA
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS
Year ended December 31, 2013

Other Postemployment Benefits

Primary Government

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2013	1/1/2013	\$ -	\$ 30,761,648	\$ 30,761,648	0.0%	\$ 8,188,216	375.7%
12/31/2012	1/1/2011	\$ -	\$ 34,926,227	\$ 34,926,227	0.0%	\$ 7,966,015	438.5%
12/31/2011	1/1/2011	\$ -	\$ 34,267,574	\$ 34,267,574	0.0%	\$ 8,041,015	426.2%
12/31/2010	1/1/2009	\$ -	\$ 39,707,119	\$ 39,707,119	0.0%	\$ 8,103,552	490.0%
12/31/2009	1/1/2009	\$ -	\$ 40,368,826	\$ 40,368,826	0.0%	\$ 8,501,336	474.9%
12/31/2008	1/1/2007	\$ -	\$ 42,567,876	\$ 42,567,876	0.0%	\$ 8,623,539	493.6%

Component Unit - Hibbing Public Utilities Commission

<u>Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2013	1/1/2011	\$ -	\$ 35,764,656	\$ 35,764,656	0.0%	\$ 5,674,104	630.3%
12/31/2012	1/1/2011	\$ -	\$ 35,764,656	\$ 35,764,656	0.0%	\$ 5,406,288	694.5%
12/31/2011	1/1/2011	\$ -	\$ 35,764,656	\$ 35,764,656	0.0%	\$ 5,224,365	684.6%
12/31/2010	1/1/2009	\$ -	\$ 30,281,516	\$ 30,281,516	0.0%	\$ 4,975,828	608.6%
12/31/2009	1/1/2009	\$ -	\$ 30,281,516	\$ 30,281,516	0.0%	\$ 5,065,929	597.7%

CITY OF HIBBING, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

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 did not exceed appropriations in any fund for the year ended December 31, 2013.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HIBBING, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2013

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 administered 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 Other Postemployment Benefits Debt Service Fund is used to account for the accumulation of resources to be set aside for postemployment benefits.

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 acquisition or construction projects related to 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 Mining Effects Capital Projects Fund is used to account for the accumulation of mining effects tax set aside for infrastructure and joint entity projects.

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, 2013

	Housing Incentive Special Revenue Fund	Small Cities Development Special Revenue Fund	Minnesota Investment Revolving Loans Special Revenue Fund	Other Postemploy- ment Benefits Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 48,506	\$ 24,893	\$ 34,802	\$ 4,869,447
Taxes receivable	-	-	-	2,894
Special assessments receivable	-	-	-	-
Accounts receivable	-	-	50,000	-
Due from other governments	-	-	-	-
Loans receivable	-	63,365	-	-
TOTAL ASSETS	\$ 48,506	\$ 88,258	\$ 84,802	\$ 4,872,341
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Contracts payable	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Special assessments	-	-	-	-
Loans receivable	-	63,365	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	63,365	-	-
FUND BALANCES				
Nonspendable	-	-	50,000	-
Restricted	-	-	-	-
Committed	48,506	24,893	34,802	4,872,341
Assigned	-	-	-	-
TOTAL FUND BALANCES	48,506	24,893	84,802	4,872,341
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 48,506	\$ 88,258	\$ 84,802	\$ 4,872,341

CITY OF HIBBING, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	Housing Incentive Special Revenue Fund	Small Cities Development Special Revenue Fund	Minnesota Investment Revolving Loans Special Revenue Fund	Other Postemploy- ment Benefits Debt Service Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 511,776
Special assessments	-	-	-	-
Intergovernmental	-	-	-	523
Charges for services	-	-	-	-
Gifts and contributions	-	-	-	-
Interest	76	39	2	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	\$ 76	\$ 39	\$ 2	\$ 512,299
EXPENDITURES				
Current				
Economic development	\$ -	\$ -	\$ -	\$ -
Principal	-	-	-	-
Interest and other charges	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76	39	2	512,299
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	317,000
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	317,000
Net Change In Fund Balances	76	39	2	829,299
FUND BALANCE - JANUARY 1	48,430	24,854	84,800	4,043,042
FUND BALANCE - DECEMBER 31	\$ 48,506	\$ 24,893	\$ 84,802	\$ 4,872,341

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	Mining Effects Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 399,592	\$ -	\$ -	\$ 1,769,622	\$ -	\$ -	\$ 2,680,990
-	-	41,090	-	-	-	-	41,090
-	767,162	-	-	945,346	-	-	1,713,031
-	-	-	14,766	-	-	-	14,766
-	-	-	292	79,226	-	-	79,518
-	2,083	12	-	3,547	-	33	5,792
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 1,168,837	\$ 41,102	\$ 15,058	\$ 2,797,741	\$ -	\$ 33	\$ 4,535,187
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ -	\$ -	\$ 593,000	\$ -	\$ -	\$ 593,000
-	15,426	-	-	51,628	-	-	67,054
-	-	-	-	81,696	-	-	81,696
-	-	-	-	279,443	-	-	279,443
-	3,227,927	106,444	-	279,562	-	-	3,613,933
-	-	-	257	1,343,054	-	-	1,343,311
-	-	-	-	46,210	-	-	46,210
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	3,243,353	106,444	257	2,674,593	-	-	\$ 6,024,647
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	(2,074,516)	(65,342)	14,801	123,148	-	33	(1,489,460)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	50,000	-	150,000	634,762	-	\$ 1,151,762
-	-	-	-	(50,000)	-	-	(50,000)
-	2,909,996	-	-	705,043	-	-	3,615,039
-	-	-	-	3,430	-	-	3,430
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	2,909,996	50,000	-	808,473	634,762	-	4,720,231
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	835,480	(15,342)	14,801	931,621	634,762	33	3,230,771
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
357,631	1,167,956	35,199	178,514	2,352,323	530,070	20,918	8,843,737
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 357,631	\$ 2,003,436	\$ 19,857	\$ 193,315	\$ 3,283,944	\$ 1,164,832	\$ 20,951	\$ 12,074,508

CITY OF HIBBING, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES

Taxes

General property	\$ 1,714,310
Taconite	
Production	637,123
Homestead credit	361,803
Municipal aid	1,513,750
School replacement aid	237,915
Franchise	152,739
Other	<u>495,597</u>
Total Taxes	<u>5,113,237</u>
Licenses and Permits	<u>155,649</u>

Intergovernmental

Federal grants	
Federal Transportation grant	64,636
Community - Oriented Policing Services - NLEAC	30,602
Rural Access to Emergency Devices	5,000
Fire SAFER grant	352,264
State grants	
Market value credit	320
Local government aid	7,996,598
Police aid	200,264
Firemen's aid	119,045
State transportation grant	149,135
PERA rate increase aid	24,366
Petro tank reimbursement	
IRRRB	20,852
Other	32,699
County grants	
Ambulance	4,116
Local grants	
Police liaison grant	<u>41,409</u>
Total Intergovernmental	<u>9,041,306</u>

Charges for Services

General government	
Bus transportation	51,761
Miscellaneous	14,690
Public safety	
Ambulance calls	1,999,551
Fire protection contracts	10,148
Other	6,876
Highways and streets	
Miscellaneous	900
Culture and recreation	
Rent	132,357
Other	162,027
Cemetery	
	<u>86,545</u>
Total Charges for Services	<u>2,464,855</u>

CITY OF HIBBING, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES (continued)

Fines

Court fines	\$ 115,278
Police forfeitures	13,809
Administrative fines	2,875
Total Fines	131,962

Gifts and Contributions

Investment Income (Loss)

Interest on investments	14,076
Increase (decrease) in fair value of investments	(36,075)
Total Investment Income (Loss)	(21,999)

Miscellaneous

Insurance recoveries	150
Insurance dividends	117,410
Other	29,677
Total Miscellaneous	147,237
TOTAL REVENUES	17,032,884

EXPENDITURES

Current

General Government

Mayor and council	200,389
Elections	16,056
City administration	134,845
City clerk	449,736
City hall	78,293
Accounting	47,040
Data processing	62,526
Legal	104,865
Personnel administration	111,126
Zoning and housing	280,378
Assessor	227,828
Total General Government	1,713,082

Public Safety

Police	2,997,419
Animal Shelter	97,042
Fire	1,814,396
Paid on-call fire	169,236
Ambulance	1,187,905
Civil defense	2,500
Total Public Safety	6,268,498

Public Works

Highways and streets	1,841,513
Streets and alleys	317,235
Engineering	498,580
Garage	50,089
Street lighting	50,089
Total Public Works	2,707,417

CITY OF HIBBING, MINNESOTA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

EXPENDITURES (continued)

Current	
Culture and Recreation	
Recreation	\$ 46,238
Memorial building	301,126
Municipal golf course	37,774
Parks	137,528
City Services	<u>1,243,516</u>
Total Culture and Recreation	<u>1,766,182</u>
Economic Development	
Administration	<u>14,937</u>
Transportation	
Bus	<u>267,252</u>
Miscellaneous	
Cemetery	237,812
Public access	94,768
Insurance	1,645,671
Donations and contributions	31,756
Other	<u>43,882</u>
Total Miscellaneous	<u>2,053,889</u>
Debt Service	
Principal	23,309
Interest and agent fees	<u>14,759</u>
Total General Government	<u>38,068</u>
TOTAL EXPENDITURES	<u>14,829,325</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,203,559
OTHER FINANCING SOURCES (USES)	
Transfers out	(1,586,993)
Sale of capital assets	<u>6,891</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,580,102)</u>
NET CHANGE IN FUND BALANCE	623,457
FUND BALANCE - JANUARY 1	<u>12,289,384</u>
FUND BALANCE - DECEMBER 31	<u>\$ 12,912,841</u>

CITY OF HIBBING, MINNESOTA

LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES

Taxes

General property	\$ 402,428
Taconite homestead credit	83,039
Other	<u>99,979</u>
Total Taxes	<u>585,446</u>

Intergovernmental

State grants	597
Market value credit	<u> </u>

Charges for Services

Gifts and Contributions	<u>9,421</u>
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Interest

Miscellaneous

TOTAL REVENUES	<u>616,057</u>
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EXPENDITURES

Current

Culture and Recreation	
Library	
Personal services	471,222
Supplies	89,383
Other services and charges	71,600
Other	<u> </u>
TOTAL EXPENDITURES	<u>632,205</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,148)
--------------------------------------------------------------	-----------------

OTHER FINANCING SOURCES (USES)

Transfer in	30,231
Transfer out	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,231</u>

NET CHANGE IN FUND BALANCES	14,083
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FUND BALANCE - JANUARY 1	204,022
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FUND BALANCE - DECEMBER 31	<u>\$ 218,105</u>
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CITY OF HIBBING, MINNESOTA

HOUSING INCENTIVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES

Interest	\$	76
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EXPENDITURES

NET CHANGE IN FUND BALANCE	76
----------------------------	----

FUND BALANCE - JANUARY 1	<u>48,430</u>
--------------------------	---------------

FUND BALANCE - DECEMBER 31	<u>\$ 48,506</u>
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CITY OF HIBBING, MINNESOTA

SMALL CITIES DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES

Interest	\$	39
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EXPENDITURES

NET CHANGE IN FUND BALANCE	39
----------------------------	----

FUND BALANCE - JANUARY 1	<u>24,854</u>
--------------------------	---------------

FUND BALANCE - DECEMBER 31	<u>\$ 24,893</u>
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CITY OF HIBBING, MINNESOTA

MINNESOTA INVESTMENT REVOLVING LOANS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES

Interest	\$	2
Miscellaneous		
Principal on loans repayments		-
Interest on loans repayments		-
Total Miscellaneous		-
TOTAL REVENUE		<u>2</u>

EXPENDITURES

Current

Economic Development		
Miscellaneous		
Repayments to DEED		-
TOTAL EXPENDITURES		-
NET CHANGE IN FUND BALANCE		<u>2</u>
FUND BALANCE - JANUARY 1		<u>84,800</u>
FUND BALANCE - DECEMBER 31	\$	<u>84,802</u>

CITY OF HIBBING, MINNESOTA

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

	Other Postemploy- ment Benefits	2002 G.O. Refunding Bonds	Totals
REVENUES			
Taxes			
General property	\$ 351,775	\$ -	\$ 351,775
Taconite homestead credit	72,596	-	72,596
Other	87,405	-	87,405
Total Taxes	511,776	-	511,776
Intergovernmental			
State grants	523	-	523
Market value credit	-	-	-
TOTAL REVENUES	<u>512,299</u>	<u>-</u>	<u>512,299</u>
 EXPENDITURES			
Debt Service			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
 EXCESS OF REVENUES OVER EXPENDITURES	<u>512,299</u>	<u>-</u>	<u>512,299</u>
 OTHER FINANCING SOURCES (USES)			
Transfer in	317,000	-	317,000
Transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>317,000</u>	<u>-</u>	<u>317,000</u>
 NET CHANGE IN FUND BALANCES	<u>829,299</u>	<u>-</u>	<u>829,299</u>
 FUND BALANCE - JANUARY 1	<u>4,043,042</u>	<u>357,631</u>	<u>4,400,673</u>
 FUND BALANCE - DECEMBER 31	<u><u>\$ 4,872,341</u></u>	<u><u>\$ 357,631</u></u>	<u><u>\$ 5,229,972</u></u>

CITY OF HIBBING, MINNESOTA
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2013

REVENUES	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement		Mining Effects	MDI Maintenance	Total
				Equipment	Improvement			
Taxes								
General property	\$ 274,672	\$ -	\$ -	\$ 1,216,298	\$ -	\$ -	\$ -	\$ 1,490,970
Taconite homestead credit	56,679	-	-	251,055	-	-	-	307,734
Other	68,241	-	-	302,269	-	-	-	370,510
Total Taxes	399,592	-	-	1,769,622	-	-	-	2,169,214
Special Assessments								
Principal	-	38,933	-	-	-	-	-	38,933
Interest and penalties	-	2,157	-	-	-	-	-	2,157
Total Special Assessments	-	41,090	-	-	-	-	-	41,090
Intergovernmental								
Federal grants								
Public Safety Interoperable								
Communications	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
State grants								
Market value credit	408	-	-	1,805	-	-	-	2,213
MSA maintenance municipal	300,461	-	-	-	-	-	-	300,461
MSA construction municipal	466,293	-	-	-	-	-	-	466,293
IRRRB	-	-	-	940,597	-	-	-	940,597
Other	-	-	-	2,944	-	-	-	2,944
County grants	-	-	-	-	-	-	-	-
Total Intergovernmental	767,162	-	-	945,346	-	-	-	1,712,508
Charges for Services								
Rent and advertising	-	-	14,766	-	-	-	-	14,766
Gifts and Contributions								
	-	-	-	79,226	-	-	-	79,226
Interest	2,083	12	292	3,547	-	33	-	5,967
Miscellaneous								
Other	-	-	-	-	-	-	-	-
TOTAL REVENUES	\$ 1,168,837	\$ 41,102	\$ 15,058	\$ 2,797,741	\$ -	\$ 33	\$ -	\$ 4,022,771

CITY OF HIBBING, MINNESOTA

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
Year Ended December 31, 2013

	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement	Mining Effects	MDI Maintenance	Total
EXPENDITURES							
Debt Service							
Principal	\$ -	\$ -	\$ -	\$ 593,000	\$ -	\$ -	\$ 593,000
Interest and other charges	15,426	-	-	51,628	-	-	67,054
Total Debt Service	15,426			644,628			660,054
Capital Outlay							
General government							
Mayor and council	-	-	-	-	-	-	-
Elections	-	-	-	-	-	-	-
City clerk	-	-	-	-	-	-	-
City hall	-	-	-	81,696	-	-	81,696
Data processing	-	-	-	-	-	-	-
Personnel administration	-	-	-	-	-	-	-
Public safety							
Police	-	-	-	51,721	-	-	51,721
Fire	-	-	-	227,722	-	-	227,722
Paid on-call fire	-	-	-	-	-	-	-
Ambulance	-	-	-	-	-	-	-
Civil defense	-	-	-	-	-	-	-
Animal shelter	-	-	-	-	-	-	-
Public works							
Streets and alleys	3,227,927	106,444	-	221,438	-	-	3,555,809
Engineering	-	-	-	51,570	-	-	51,570
Garage	-	-	-	6,554	-	-	6,554
Culture and recreation							
Recreation	-	-	-	-	-	-	-
Memorial building	-	-	257	1,180,885	-	-	1,181,142
Municipal golf course	-	-	-	-	-	-	-
Parks	-	-	-	109,867	-	-	109,867
Library	-	-	-	52,302	-	-	52,302
Miscellaneous							
Cemetery	-	-	-	46,210	-	-	46,210
Other	-	-	-	-	-	-	-
Total Capital Outlay	3,227,927	106,444	257	2,029,965			5,364,593
TOTAL EXPENDITURES	3,243,353	106,444	257	2,674,593			6,024,647
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,074,516)	(65,342)	14,801	123,148		33	(2,001,876)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	50,000	-	150,000	634,762	-	834,762
Transfers out	-	-	-	(50,000)	-	-	(50,000)
Debt issuance	2,909,996	-	-	705,043	-	-	3,615,039
Sale of capital assets	-	-	-	3,430	-	-	3,430
TOTAL OTHER FINANCING SOURCES (USES)	2,909,996	50,000		808,473	634,762		4,403,231
NET CHANGE IN FUND BALANCES	835,480	(15,342)	14,801	931,621	634,762	33	2,401,355
FUND BALANCES - JANUARY 1	1,167,956	35,199	178,514	2,352,323	530,070	20,918	4,284,980
FUND BALANCES - DECEMBER 31	\$ 2,003,436	\$ 19,857	\$ 193,315	\$ 3,283,944	\$ 1,164,832	\$ 20,951	\$ 6,686,335

CITY OF HIBBING, MINNESOTA
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	General Fund	Economic Development Special Revenue Fund	Debt Service Funds		
			Tax Increment VII	Tax Increment XI	Animal Shelter
ASSETS					
Cash and cash equivalents	\$ 323,831	\$ 1,157,828	\$ 104,088	\$ -	\$ 115,903
Cash - restricted	-	-	-	-	46,263
Investments - restricted	-	-	-	-	-
Taxes receivable					
Unapportioned	594	-	230	68	-
Delinquent	-	-	110,973	15,960	-
Accounts receivable	1,649	-	-	-	-
Due from other funds	24,708	103,000	-	-	-
Due from other governments					
Loans receivable	-	283,719	-	-	-
Prepaid items	-	-	-	-	-
TOTAL ASSETS	\$ 350,782	\$ 1,544,547	\$ 215,291	\$ 16,028	\$ 162,166
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 173	\$ -	\$ -	\$ -	\$ -
Salaries payable	115	-	-	-	-
Due to other funds	-	-	-	1,664	-
Due to other governments	-	-	402	402	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	288	-	402	2,066	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	-	-	110,973	15,960	-
Loans receivable	-	283,719	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	283,719	110,973	15,960	-
FUND BALANCES					
Nonspendable	-	-	-	-	162,166
Restricted	-	-	103,916	-	-
Committed	-	1,260,828	-	-	-
Assigned	-	-	-	(1,998)	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	350,494	1,260,828	103,916	(1,998)	162,166
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 350,782	\$ 1,544,547	\$ 215,291	\$ 16,028	\$ 162,166

CITY OF HIBBING, MINNESOTA
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
COMBINING BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
December 31, 2013

Capital Projects Funds						
	Central Range Public Works	Storefront Renovation Project	District VIII Tax Increment	District XII Tax Increment	Tax Abatement	Totals
ASSETS						
Cash and cash equivalents	\$ 73,812	\$ 1,461	\$ 54,169	\$ -	\$ 113,884	\$ 1,944,976
Cash - restricted	-	-	-	-	-	46,263
Investments	-	-	-	-	-	-
Taxes receivable	-	-	-	-	-	-
Unapportioned	-	-	-	-	84	976
Delinquent	-	-	266	-	-	127,199
Accounts receivable	-	-	-	-	-	1,649
Due from other funds	-	-	-	-	-	127,708
Due from other governments	-	-	-	-	-	-
Loans receivable	-	240,955	461,924	-	-	986,598
Prepaid items	-	-	-	-	-	-
TOTAL ASSETS	\$ 73,812	\$ 242,416	\$ 516,359	\$ -	\$ 113,968	\$ 3,235,369
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173
Salaries payable	-	-	-	-	-	115
Due to other funds	-	103,000	-	23,044	-	127,708
Due to other governments	-	-	402	402	-	1,608
Unearned revenue	-	-	-	-	-	-
TOTAL LIABILITIES	-	103,000	402	23,446	-	129,604
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
Property taxes	-	-	266	-	-	127,199
Loans receivable	-	240,955	461,924	-	-	986,598
TOTAL DEFERRED INFLOWS OF RESOURCES	-	240,955	462,190	-	-	1,113,797
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	53,767	-	-	319,849
Committed	-	-	-	-	-	1,611,322
Assigned	73,812	-	-	-	113,968	187,780
Unassigned	-	(101,539)	-	(23,446)	-	(126,983)
TOTAL FUND BALANCES	73,812	(101,539)	53,767	(23,446)	113,968	1,991,968
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 73,812	\$ 242,416	\$ 516,359	\$ -	\$ 113,968	\$ 3,235,369

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, 2013

	General Fund	Economic Development Special Revenue Fund	Debt Service Funds		
			Tax Increment VII	Tax Increment XI	Animal Shelter
REVENUES					
Taxes					
General	\$ 72,216	\$ -	\$ 61,273	\$ 13,780	\$ -
Taconite homestead credit	14,907	-	-	-	-
Other	17,948	-	-	-	-
Intergovernmental					
State grants					
Market value credit	107	-	-	-	-
IRRRB grant	-	-	-	-	-
Charges for Services					38,562
Gifts and contributions					
Interest	317	465	104	51	2
Miscellaneous					
Principal on loan repayments	-	108,901	-	-	-
Interest on loan repayments	-	14,314	-	-	-
TOTAL REVENUES	105,495	123,680	61,377	13,831	38,564
EXPENDITURES					
Current					
Economic development					
Community development	5,636	-	-	-	-
Administration	28,359	858	3,976	-	-
Professional services	6,910	-	439	439	-
Loans	-	75,000	-	-	-
Tax increment projects	-	-	-	-	-
Debt Service					
Principal	-	-	25,000	15,000	23,309
Interest	-	-	11,063	4,307	14,759
Fiscal charges	-	-	431	-	-
Capital Outlay					
Community development	-	-	-	-	-
TOTAL EXPENDITURES	40,905	75,858	40,909	19,746	38,068
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	64,590	47,822	20,468	(5,915)	496
OTHER FINANCING SOURCES (USES)					
Excess TIF to be remitted to County	-	-	-	-	-
Transfers in	105,000	-	-	6,118	-
Transfers out	(6,118)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	98,882	-	-	6,118	-
NET CHANGE IN FUND BALANCES	163,472	47,822	20,468	203	496
FUND BALANCES - JANUARY 1	187,022	1,213,006	83,448	(2,201)	161,670
FUND BALANCES - DECEMBER 31	\$ 350,494	\$ 1,260,828	\$ 103,916	\$ (1,998)	\$ 162,166

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, 2013

Capital Projects Funds										
	Central Range Public Works	Storefront Renovation Project	District VIII Tax Increment	District XII Tax Increment	Tax Abatement	Totals				
REVENUES										
Taxes										
General	\$ -	\$ -	\$ 12,066	\$ -	\$ 10,344	\$ 169,679				
Taconite homestead credit										
Other										
Intergovernmental										
State grants	- - -	- - -	- - -	- - -	15	122				
Market value credit										
IRRRB grant										
Charges for Services										
Gifts and contributions										
Interest	113	- - -	70	- - -	163	1,285				
Miscellaneous										
Principal on loan repayments	- - -	57,282	- - -	- - -	- - -	166,183				
Interest on loan repayments	- - -	7,759	- - -	- - -	- - -	22,073				
TOTAL REVENUES	113	65,041	12,136	- - -	15,162	435,399				
EXPENDITURES										
Current										
Economic development										
Community development	- - -	- - -	- - -	- - -	1,289	6,925				
Administration										
Professional services	- - -	- - -	439	5,639	- - -	13,866				
Loans	- - -	160,000	- - -	- - -	- - -	235,000				
Tax increment projects										
Debt Service										
Principal	- - -	- - -	- - -	- - -	- - -	63,309				
Interest										
Fiscal charges	- - -	- - -	- - -	- - -	- - -	431				
Capital Outlay										
Community development	- - -	- - -	- - -	- - -	- - -	- - -				
TOTAL EXPENDITURES	- - -	160,000	439	5,639	1,289	382,853				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	113	(94,959)	11,697	(5,639)	13,873	52,546				
OTHER FINANCING SOURCES (USES)										
Excess TIF to be remitted to County	- - -	- - -	- - -	- - -	- - -	- - -				
Transfers in										
Transfers out	- - -	- - -	- - -	- - -	- - -	- - -				
TOTAL OTHER FINANCING SOURCES (USES)	- - -	- - -	- - -	- - -	- - -	- - -				
NET CHANGE IN FUND BALANCES	113	(94,959)	11,697	(5,639)	13,873	157,546				
FUND BALANCES - JANUARY 1	73,699	(6,580)	42,070	(17,807)	100,095	1,834,422				
FUND BALANCES - DECEMBER 31	\$ 73,812	\$ (101,539)	\$ 53,767	\$ (23,446)	\$ 113,968	\$ 1,991,968				

CITY OF HIBBING, MINNESOTA
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
STATEMENT OF NET POSITION
ENTERPRISE FUND
December 31, 2013

	Family Center
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 441,203
Due from other governments	<u>466,800</u>
Loans receivable	<u> </u>
TOTAL ASSETS	<u>\$ 908,003</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ -
Deferred revenue	<u>-</u>
Due to other funds	<u> </u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Unrestricted	<u>908,003</u>
TOTAL NET POSITION	<u>\$ 908,003</u>

CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ENTERPRISE FUND**
December 31, 2013

	Family Center
OPERATING REVENUES	
Charges for services	\$ -
Miscellaneous	- -
TOTAL OPERATING REVENUES	- -
OPERATING EXPENSES	
Personal services	- -
Supplies	- -
Maintenance and repairs	- -
Contracted services	- -
Utilities	- -
Depreciation	- -
Miscellaneous	- -
TOTAL OPERATING EXPENSES	- -
OPERATING INCOME	- -
NONOPERATING REVENUES	
Interest income	29,302
Interest on notes	- -
Interest expense	- -
Amortization	- -
Gain on disposal of student housing facility	- -
TOTAL NONOPERATING REVENUES	29,302
INCOME BEFORE TRANSFERS	29,302
Transfers in	- -
Transfers out	- -
CHANGE IN NET POSITION	29,302
TOTAL NET POSITION - JANUARY 1	878,701
TOTAL NET POSITION - DECEMBER 31	<u><u>\$ 908,003</u></u>

CITY OF HIBBING, MINNESOTA
HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
December 31, 2013

	Family Center
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ -
Cash paid to suppliers	- -
Cash paid to employees	- -
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>-</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer in from other funds	- -
Transfer out to other funds	- -
Prior year cash deficit payment	- -
Interfund financing of cash deficit	- -
Principal received on note	45,976
Interest received on note	29,302
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u><u>75,278</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase or construction of fixed assets	- -
Principal paid on long-term debt	- -
Interest paid on long-term debt	- -
Sale of facility	- -
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u><u>-</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u><u>-</u></u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u><u>75,278</u></u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u><u>365,925</u></u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 441,203</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ -
Adjustments to reconcile operating income (loss)	
to net cash (used) provided by operating activities:	
Depreciation	- -
Decrease in:	
Accounts receivable	- -
Prepaid items	- -
Increase (decrease) in:	
Accounts payable	- -
Due to other governments	- -
Customer deposits	- -
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
TAX INCREMENT FINANCING DISTRICTS VII, VIII, XI, AND XII
Year Ended December 31, 2013

	Tax Increment District VII	
	Redevelopment	
District type	469	
Authorized under Minn. Statute, ch#	1993	
Established in	2019	
Planned completion in		
Original net tax capacity	\$ 3,422	
Current net tax capacity	49,360	
Fiscal disparity deduction		
Captured Net Tax Capacity Retained by the City	\$ 45,938	
	Accounted for in Prior Years	Current Year
SOURCES OF FUNDS		
Bond proceeds	\$ 320,000	\$ -
Note proceeds	-	-
Tax increments received	796,836	61,273
General property taxes received	11,309	104
Interest on invested funds	299,999	-
Grants	8,251	-
Local contributions	19,619	-
Miscellaneous		
TOTAL SOURCES OF FUNDS	1,456,014	61,377
USES OF FUNDS		
Building acquisition	-	-
Other public improvements	721,672	-
Bond payments		
Principal	160,000	25,000
Interest and fiscal charges	311,429	11,494
Professional services	31,943	439
Administrative costs	132,357	3,976
TOTAL USES OF FUNDS	1,357,401	40,909
EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS BEFORE TRANSFERS	98,613	20,468
TRANSFERS		
Decertified district - remittance to County	-	-
Transfers to other districts	-	-
Transfers to other funds	(15,165)	-
Transfers from other districts	-	-
Transfers from other funds	-	-
TOTAL TRANSFERS	(15,165)	-
EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS AND TRANSFERS	\$ 83,448	20,468
DISTRICT BALANCE - JANUARY 1		83,448
DISTRICT BALANCE - DECEMBER 31	\$ 103,916	

Tax Increment District VIII		Tax Increment District XI		Tax Increment District XII	
Qualified Housing		Redevelopment		Redevelopment	
469		469		469	
1993		1999		2012	
2020		2025		2038	
\$ -		\$ 525		\$ 12,660	
8,377		13,262		12,660	
-		3,192		-	
<u>\$ 8,377</u>		<u>\$ 9,545</u>		<u>\$ -</u>	
Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year
\$ -	\$ -	\$ 165,000	\$ -	\$ -	\$ -
204,342	12,066	128,473	13,780	-	-
5,507	70	1,823	51	-	-
385,000	-	-	-	-	-
-	-	67,786	-	-	-
18,670	-	2,786	-	-	-
613,519	12,136	365,868	13,831	-	-
555,095	-	-	-	-	-
67,392	-	253,248	-	-	-
-	-	100,000	15,000	-	-
-	-	126,018	4,307	-	-
10,154	439	31,804	439	17,807	5,639
30,205	-	45	-	-	-
662,846	439	511,115	19,746	17,807	5,639
(49,327)	11,697	(145,247)	(5,915)	(17,807)	(5,639)
-	-	-	-	-	-
(4,926)	-	-	-	-	-
-	-	35,055	-	-	-
96,323	-	107,991	6,118	-	-
91,397	-	143,046	6,118	-	-
\$ 42,070	11,697	\$ (2,201)	203	\$ (17,807)	(5,639)
	42,070		(2,201)		(17,807)
\$ 53,767		\$ (1,998)		\$ (23,446)	

Fort & Company, P.A.

Certified Public Accountants

Diane D. Krueger-Pirnat, CPA
Christine A. Towner, CPA

Connor B. Michels, EA
Victoria C. Arnoldy, CPA

John W. Fort, CPA
Kimberly A. Jarvis

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, 2013, which collectively comprise the City of Hibbing, Minnesota's basic financial statements and have issued our report thereon dated June 27, 2014. 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 the City of Hibbing, Minnesota's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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.

A deficiency in internal control over financial reporting 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hibbing, Minnesota's financial statements are free from 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 statements amounts. However, providing an opinion of 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*.

Minnesota Legal Compliance

We also conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hibbing, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Hibbing, Minnesota's noncompliance with the above referenced provisions.

We also noted certain additional matters that we reported to management of the City of Hibbing, Minnesota in a separate letter dated June 27, 2014.

The City of Hibbing, Minnesota's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The City of Hibbing's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hibbing, Minnesota's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hibbing, Minnesota's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Fort & Company
Fort & Company, P.A.
June 27, 2014

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2013

SIGNIFICANT DEFICIENCIES

2013-1. 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.

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 of 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. The Finance Director will provide additional oversight to the operations of the finance office. In addition, the City Clerk provides oversight, consistent with his statutory duties of City Clerk/Treasurer, operating in a statutory City with a standard plan.

3. Official Responsible for Ensuring CAP

Sherri A. Renskers, 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.

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended December 31, 2013

**2013-2. FINANCIAL REPORTING PROCESS - REPORT WRITING FUNCTION OF INCODE SOFTWARE
NOT UTILIZED**

Condition and Criteria

The report writing function of the City's enterprise software package, Incode, is not utilized and fully functional. Thus, as part of the audit, management requested that we prepare the general ledger account groupings necessary to draft the City's financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Effect

Having the report writing function in Excel, outside of the Incode system, gives rise to the potential of account balances and/or account balance adjustments not being captured in published financial statements.

Cause

This situation exists because of staffing and software limitations caused by fiscal constraints.

Recommendations

In order to provide controls over the financial statement preparation process at an appropriate level, we suggest management investigate the cost of utilizing the report writing function within Incode and 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; the City acknowledges that this finding is a result of the SAS 112 requirements, which make this an expected finding given the cost/benefit of preparing the financial statements.

2. Actions Planned in Response to Finding

The City will continue to evaluate the prospect of incorporating the report writing function within the software system. However, given the current level of staffing, the City does not anticipate changing the process for the foreseeable future.

3. Officials Responsible for Ensuring CAP

Sherri A. Renskers, Finance Director
Patrick L. Garrity, City Clerk/Treasurer

4. Planned Completion Date for CAP

No timeline; continue to keep under consideration should resources become available. For the time being, Sherri Renskers will continue as the City's designated individual responsible for reviewing the report captioning and adjustments being captured in the financial statements.

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.