

**CITY OF HIBBING, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2017**

**CITY OF HIBBING, MINNESOTA**

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December 31, 2017

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**CITY OF HIBBING, MINNESOTA**

**ORGANIZATION**  
December 31, 2017

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**CITY COUNCIL**

Mayor	Rick Cannata
Council Members	
Ward A	Raymond Pierce
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
Deputy Clerk/Salaried Clerk	Mary Ann Kepler
Finance Director (until June 1, 2018)	Sherri Renskers

**APPOINTED**

City Attorney	Andy Borland
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## **FINANCIAL SECTION**

# Fort & Company, P.A.

## Certified Public Accountants

Diane D. Krueger-Pirnat, CPA  
Laura A. Rusich, CPA

Connor B. Michels, EA  
Morgan L. Anderson

Christine A. Towner, CPA  
Kimberly A. Jarvis

Victoria C. Arnoldy, CPA  
John W. Fort, CPA - Inactive

### 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 the City of Hibbing, Minnesota, as of and for the year ended December 31, 2017, 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, 89 percent, and 100 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 includes 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, 2017, 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**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information (RSI), as noted in the table of contents, 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.

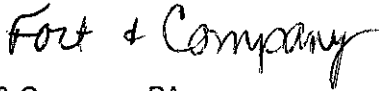
The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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.



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 July 18, 2018, 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 the City of Hibbing, Minnesota's internal control over financial reporting and compliance.



Fort & Company, PA  
Hibbing, Minnesota  
July 18, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF HIBBING, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2017

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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, 2017. 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 \$42,848,607. Invested in capital assets, net of related debt represents \$30,712,067 of the total.
- ➡ Business-type activities have a total net position of \$26,127,110. Invested in capital assets, net of related debt represents \$28,206,766 of the total.
- ➡ The Hibbing Economic Development Authority (EDA) has a total net position of \$3,851,168. Invested in capital assets, net of related debt represents \$289,375 of the total.
- ➡ The City of Hibbing's primary government's net position increased by \$3,690,149 for the year ended December 31, 2017. The Governmental activities' net position increased by \$2,545,174 and the business-type activities' net position increased by \$1,144,975.
- ➡ The EDA had an increase in net position of \$315,555 for the year ended December 31, 2017. General revenues, including items such as taxes and grants not restricted to specific programs, accounted for \$377,998 of this, with net program expenses over revenue of \$62,443. Included in the \$377,998 is a transfer of \$51,000 from the primary government.
- ➡ The net cost of governmental activities was \$14,742,278 for the current year. The net cost was funded by general revenues and other items totaling \$17,287,452.
- ➡ Governmental funds' fund balances increased by \$663,926.
- ➡ The increase in Governmental Funds' fund balance was attributable to the City's success in monitoring costs while maintaining or exceeding expected revenues. The General Fund, Other Postemployment Benefits Debt Service Fund, and Mining Effects Capital Projects Fund revenues exceeded expenditures by \$1,351,491, \$494,944, and \$225,988 respectively. These increases were offset by expenditures exceeding revenues in the Permanent Improvement Capital Project Fund and Capital Equipment and Improvement Capital Projects Fund by \$639,805 and \$703,825 respectively, along with the net transfers out of \$51,000.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

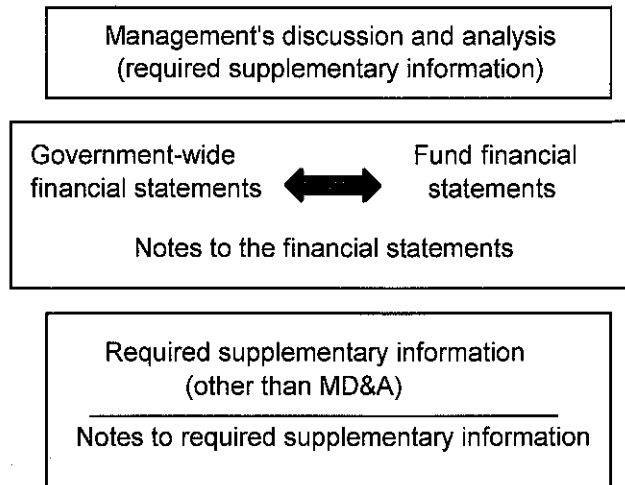
December 31, 2017

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**FINANCIAL HIGHLIGHTS (continued)**

**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, 2017

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#### **New Accounting Pronouncements**

No new accounting pronouncements were adopted for the year ended December 31, 2017.

#### **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 long-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 state 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, refuse removal services, and Memorial Building concessions 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, 2017

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**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 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, 2017

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The City's combined net position increased from \$65,285,568 to \$68,975,717. Looking at the net position and net expenses of governmental and business-type activities separately, highlights the details of the increase in net position for the year. 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 36,625,187	\$ 35,288,969	\$ 2,546,307	\$ 3,402,634	\$ 39,171,494	\$ 38,691,603
Capital assets	34,509,922	31,955,624	37,594,563	36,005,163	72,104,485	67,960,787
Total assets	<u>\$ 71,135,109</u>	<u>\$ 67,244,593</u>	<u>\$ 40,140,870</u>	<u>\$ 39,407,797</u>	<u>\$ 111,275,979</u>	<u>\$ 106,652,390</u>
Deferred outflows of resources						
Deferred outflows-pensions	\$ 10,055,075	\$ 11,940,700	\$ 524,425	\$ 601,907	\$ 10,579,500	\$ 12,542,607
Total assets and deferred outflows of resources	<u>\$ 81,190,184</u>	<u>\$ 79,185,293</u>	<u>\$ 40,665,295</u>	<u>\$ 40,009,704</u>	<u>\$ 121,855,479</u>	<u>\$ 119,194,997</u>
Long-term liabilities	\$ 24,033,279	\$ 33,963,251	\$ 13,157,630	\$ 14,316,974	\$ 37,190,909	\$ 48,280,225
Other liabilities	3,289,026	2,578,309	964,333	545,813	4,253,359	3,124,122
Total liabilities	<u>\$ 27,322,305</u>	<u>\$ 36,541,560</u>	<u>\$ 14,121,963</u>	<u>\$ 14,862,787</u>	<u>\$ 41,444,268</u>	<u>\$ 51,404,347</u>
Deferred inflows of resources						
Deferred inflows - pensions	\$ 11,019,272	\$ 2,340,300	\$ 416,222	\$ 164,782	\$ 11,435,494	\$ 2,505,082
Total liabilities and deferred inflows of resources	<u>\$ 38,341,577</u>	<u>\$ 38,881,860</u>	<u>\$ 14,538,185</u>	<u>\$ 15,027,569</u>	<u>\$ 52,879,762</u>	<u>\$ 53,909,429</u>
Net position						
Invested in capital assets net of debt	\$ 30,712,067	\$ 27,482,341	\$ 28,206,766	\$ 25,553,400	\$ 58,918,833	\$ 53,035,741
Restricted	3,857,462	4,247,983	-	-	3,857,462	4,247,983
Unrestricted	8,279,078	8,573,109	(2,079,656)	(571,265)	6,199,422	8,001,844
Total net position	<u>\$ 42,848,607</u>	<u>\$ 40,303,433</u>	<u>\$ 26,127,110</u>	<u>\$ 24,982,135</u>	<u>\$ 68,975,717</u>	<u>\$ 65,285,568</u>

Net position of the City's governmental activities increased by 6.3 percent (\$42,848,607 in 2017 compared to \$40,303,433 in 2016). 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 \$8,573,109 at December 31, 2016, to \$8,279,078 at the end of 2017.

Net position of the City's Business-type activities increased 4.5 percent (\$26,127,110 in 2017 compared to \$24,982,135 in 2016). This increase was due to an \$866,478 increase in the Sewer Operating and Maintenance Enterprise Fund net position and \$276,116 increase in the Garbage and Refuse Collection Enterprise Fund. For the Sewer Operating and Maintenance Enterprise Fund, the portion of net position invested in capital assets, net of related debt increased \$2,670,078 but was offset by an increase in the negative unrestricted net position balance of \$1,803,600; for a net increase of \$866,478; which was primarily attributable to \$466,246 of operating income and capital grant of \$582,484 less interest expense of \$183,955. The composition of Sewer Operating and Maintenance Enterprise Fund net position in 2018 could be impacted by possible financing transactions executed in 2018 to address interfund borrowing that occurred in 2017 and possible refunding of a 2007 Sewer Fund Revenue Bond. For additional discussion, see Note 8. For the Garbage and Refuse Collection Enterprise fund, the portion of net position invested in capital assets, net of related debt decreased \$15,665 but was offset by an increase in the unrestricted net position balance of \$291,781; for a net increase of \$276,116; which was primarily derived from operating income of \$249,370.

## CITY OF HIBBING, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues:						
Fees, fines, charges, and other	\$ 2,193,345	\$ 2,461,172	\$ 6,219,756	\$ 6,261,154	\$ 8,413,101	\$ 8,879,024
Operating grants and contributions	1,238,826	1,076,618	-	-	1,238,826	1,076,618
Capital grants and contributions	2,049,886	1,312,439	582,484	141,884	2,632,370	1,454,323
General revenues:						
Taxes	9,002,002	8,887,917	-	-	9,002,002	8,887,917
Intergovernmental	8,130,161	8,126,935	-	-	8,130,161	8,126,935
Other general revenues (expenses)	206,289	18,674	30,856	8,273	237,145	26,947
Total revenues	<u>22,820,509</u>	<u>21,883,755</u>	<u>6,833,096</u>	<u>6,411,311</u>	<u>29,653,605</u>	<u>28,295,066</u>
Program expenses:						
General government	3,500,059	3,392,199	-	-	3,500,059	3,392,199
Public safety	8,247,536	9,318,408	-	-	8,247,536	9,318,408
Public works	4,513,764	5,517,083	-	-	4,513,764	5,517,083
Culture and recreation	3,395,600	3,203,022	-	-	3,395,600	3,203,022
Other	465,440	360,157	-	589	465,440	360,746
Interest	101,936	122,531	-	201,664	101,936	324,195
Garbage and refuse collection	-	-	2,554,553	2,592,818	2,554,553	2,592,818
Sewer operating and maintenance	-	-	3,125,180	2,957,316	3,125,180	2,957,316
Memorial building concessions	-	-	8,388	2,897	8,388	2,897
Total program expenses	<u>20,224,335</u>	<u>21,913,400</u>	<u>5,688,121</u>	<u>5,755,284</u>	<u>25,912,456</u>	<u>27,668,684</u>
Transfers	(51,000)	(306,500)	-	250,000	(51,000)	(56,500)
Donation expense	-	(415,976)	-	-	-	(415,976)
Increase (decrease) in net position	<u>2,545,174</u>	<u>(752,121)</u>	<u>1,144,975</u>	<u>906,027</u>	<u>3,690,149</u>	<u>153,906</u>
Beginning Net Position	40,303,433	41,055,554	24,982,135	24,076,108	65,285,568	65,131,662
Ending Net Position	<u>\$ 42,848,607</u>	<u>\$ 40,303,433</u>	<u>\$ 26,127,110</u>	<u>\$ 24,982,135</u>	<u>\$ 68,975,717</u>	<u>\$ 65,285,568</u>

The City's total revenues increased by \$1,358,539 or 4.8 percent. The total cost of all programs and services decreased by \$1,756,228 or 6.3 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 \$936,754 or 4.3 percent and total expenses decreased by \$1,689,065 or 7.7 percent. The difference in the changes in net position for governmental activities was \$3,297,297 for 2017 compared to 2016.

The cost of all governmental activities this year was \$20,224,335. As shown in the Statement of Activities, some of the cost was paid by those who directly benefited from the programs, \$2,193,345, or by other governments and organizations that subsidized certain programs with grants and contributions, \$11,418,873. Taxpayers paid \$9,002,002 in taxes in 2017.



**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

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**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Public safety	\$ 8,247,536	\$ 9,318,408	\$ 6,086,347	\$ 6,960,092
Public works	4,513,764	5,517,083	2,400,045	4,028,537
General government	3,500,059	3,392,199	3,264,659	3,188,359
Culture and recreation	3,395,600	3,203,022	2,765,314	2,861,290
Other	465,440	360,157	123,977	(97,638)
Interest on long-term debt	101,936	122,531	101,936	122,531
<b>Totals</b>	<b>\$ 20,224,335</b>	<b>\$ 21,913,400</b>	<b>\$ 14,742,278</b>	<b>\$ 17,063,171</b>

Included in the Total Cost of Services above is the net expense of actuarially determined liabilities for the City's pension plan and other post retirement benefit plan. The net expense amount for both years are as follows:

	<b>Total Cost of Services</b>	
	<b>2017</b>	<b>2016</b>
Public safety	\$ 593,820	\$ 1,766,295
Public works	315,822	386,285
General government	310,218	331,732
Culture and recreation	171,279	183,964
Other	931	761
Interest on long-term debt	-	-
<b>Totals</b>	<b>\$ 1,392,070</b>	<b>\$ 2,669,037</b>

**Business-Type Activities**

Revenues of the City's business-type activities were \$6,833,096 and expenses were \$5,688,121 (see Table 2). There was an increase in net position of \$1,144,975 during the year ended December 31, 2017. The factors driving these results include:

Operations produced \$716,179 of income for the year ended December 31, 2017.

The City recognized capital grants totaling \$582,484 for the year.

The City had non-operating interest expense totaling \$183,955 for the year.

## **CITY OF HIBBING, MINNESOTA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

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#### **EDA Component Unit Activity**

The EDA had an increase in net position of \$315,555 for the year ended December 31, 2017. General revenues, including items such as taxes and grants not restricted to specific programs, accounted for \$377,998 of this, with net program expenses over revenue of \$62,443. Included in the \$377,998 is a transfer of \$51,000 from the primary government.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$30,727,058 which is greater than last year's total of \$30,063,132. The general fund had an increase of \$1,298,120 primarily due to actual expenditures coming in below budgeted by \$1,088,734. The Library Fund had a \$50,208 decrease in fund balance primarily due to actual expenditures exceeding the budgeted amount by \$69,307. The largest increase in other governmental funds was for \$494,944 in the Other Post Employment Benefits Debt Service Fund which was due to current year funding. The next largest increase was \$225,988 in the Mining Effects Capital Projects Fund which was due to current year taxes with no offsetting expenditures.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual charges to appropriations (expenditures) were \$1,088,734 below the final budget amounts. The most significant positive variances occurred in the City's public safety by \$589,368; public works by \$193,372 and miscellaneous by \$306,097. The reasons these actual expenditures came in below budgeted amounts were due to employee turnover and reduced fuel costs. The most significant negative variance of \$24,380 occurred in the City's transportation expenditures. This negative variance was created by a change in the City's transit dispatch method which necessitated a modification to the third party operator contract. Resources available for appropriation were above the final budgeted amounts by \$111,633. This positive variance was primarily attributable to the City receiving \$155,711 more in intergovernmental revenues than expected.

**CITY OF HIBBING, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2017, the City had \$72,104,485 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 \$4,143,698 over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land, improvements, intangibles, artwork, gravel roads	\$ 7,914,943	\$ 7,817,567	\$ 423,719	\$ 423,719	\$ 8,338,662	\$ 8,241,286
Buildings and improvements	8,717,871	9,180,220	20,022,094	20,174,185	28,739,965	29,354,405
Infrastructure	12,573,686	10,487,627	14,092,059	12,544,266	26,665,745	23,031,893
Equipment, machinery and furniture	3,282,942	3,432,416	1,015,529	1,088,818	4,298,471	4,521,234
Construction in progress	2,020,480	1,037,794	2,041,162	1,774,175	4,061,642	2,811,969
<b>Totals</b>	<b>\$ 34,509,922</b>	<b>\$ 31,955,624</b>	<b>\$ 37,594,563</b>	<b>\$ 36,005,163</b>	<b>\$ 72,104,485</b>	<b>\$ 67,960,787</b>

This year's major additions included:

Recycling electrical and garage door updates	\$ 10,132
Library UV window film	10,144
Library children's room remodel	10,757
Howard Street side walk	11,571
200 95-gallon sanitation carts	11,600
Cablecast pro	11,995
Ambulance ventilator	12,735
Epoxy Coating at animal shelter	13,221
12th Avenue East	14,981
Hosted server project	15,900
Fire station lift station rehab	16,066
Ambulance cot	16,092
Mayno annihilator grinder mount	16,332
2117093 planning/seat/perma/misc	18,986
8th Avenue East	19,878
10th Avenue East	22,053
Armer Radios	24,995
Meadow Drive	28,099
Fork lift	31,000
2017 Dodge Charger	32,049
2018 Dodge Charger	32,813
2018 Dodge Charger	32,813
Groundmaster	35,137
6th Avenue East	39,077
16th Avenue East	84,356
Air exchange units	45,985
Addition to Bennett Park	47,862
Bennett Park land	49,515
Reelmaster 3555 mower	50,043
15th Street	50,068
28th Street	89,278
19th Avenue East	92,175
Dillon Road	118,023
Rapid rail body heil	137,631
Zamboni	139,396
Tamminen Road	182,564
Bennett Park Restroom Project	183,516
SCBA's x341402120030	212,783
N Salmi Road	217,243
O'Rourke Road	425,750
Mineview	237,142

**CITY OF HIBBING, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**

This year's major additions included (continued):

Herman Road	272,413
41st Street	297,187
Roundabout & Beltline lights	363,641
Wegener Road	395,671
Sanitary sewer lining project	483,785
Highway 169 non-par street	504,273
Mercury project	550,000
Rafferty Concept Study	679,155
Highway 169 utilities project	1,921,683
Total additions	<u>\$ 8,319,564</u>

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

**Debt**

At year-end, the City had \$38,283,478 in long-term liabilities outstanding versus \$49,443,948 last year (see Table 5 below).

**Table 5**  
**Outstanding Debt at Year-end**

	Governmental Activities		Business-type Activities		EDA Component Unit	
	2017	2016	2017	2016	2017	2016
General obligation bonds (backed by the City)	\$ 3,536,034	\$ 4,182,035	\$ -	\$ -	\$ 1,083,044	\$ 1,152,252
Certificates of indebtedness	-	-	-	-	-	-
Capital leases	261,821	291,248	-	-	-	-
Police and Fire indebtedness	-	-	-	-	-	-
General obligation revenue notes	-	-	7,067,745	7,977,065	-	-
General obligation revenue bonds	-	-	2,320,052	2,474,698	-	-
Compensated absences	247,776	291,653	65,242	79,772	-	-
Net pension liability	8,335,294	18,078,871	1,184,251	1,431,575	9,525	11,471
OPEB liability	11,652,354	11,119,444	2,520,340	2,353,864	-	-
Total	<u>\$ 24,033,279</u>	<u>\$ 33,963,251</u>	<u>\$ 13,157,630</u>	<u>\$ 14,316,974</u>	<u>\$ 1,092,569</u>	<u>\$ 1,163,723</u>

The State limits the amount of net debt that Cities can issue to 3 percent of the market value of all taxable property within a City. The City's outstanding qualifying net debt of \$3,536,034 is significantly below the \$19,879,388 State-imposed limit.

For more details on the City's outstanding debt at year end refer to Note 7, Long-Term debt.

**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 \$341,000 as compared to the actual costs during the current year of \$332,000, which included 20 culverts, 10 road lifts and 27 spot road repairs.

CITY OF HIBBING, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the 2018 budget, tax rates, and fees that will be charged for the business-type activities.

The General Fund expenditures and transfers for 2018 are budgeted to be \$17,917,664, which is a \$546,297 increase from the 2017 final budget of \$17,371,367.

Property tax levies increased 4.75 percent for 2018.

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

The 2013 State Legislature revised the local government aid (LGA) formula used to distribute LGA funding. The "need" factor is three-tiered depending on the population of the city with separate calculations for cities under 2,500 in population, cities between 2,500 and 10,000 in population, and cities over 10,000 in population because different factors explain variation in a city's revenue base for different size cities. All three formulas were derived using revenue base (levy plus aid) as a proxy for city need. The formula also stabilizes a city's allocation by capping the maximum annual loss for any city as well as distributing proportionally larger increases to cities whose current aid amount is furthest from their unmet need. For Hibbing, these changes increased LGA by \$12,875 in 2015, up from the \$8,082,406 received in 2014. LGA was up \$100,965 in 2015 from the \$7,994,316 received in 2011, 2012, and 2013. LGA for 2016 and 2017 was \$8,098,794 and \$8,101,987. The anticipated 2018 LGA is \$8,143,565 which would be an increase of \$41,578 from 2017.

The City relies heavily on State LGA and taconite aids to fund its budget. LGA payments are anticipated to supply 45% of General Fund revenues, with taconite aids expected to furnish 10% of General Fund revenues. 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 downturn in mining, which began during 2015, reduced the amount of taconite aids received in 2017 and is expected to negatively impact amounts to be received through 2018.

During 2017, the Sewer Operating and Maintenance Enterprise Fund borrowed an additional \$1,300,000 from the General Fund to facilitate a significant storm water infrastructure project as discussed in Note 8. As discussed further in Note 12, it is the City's intent to bond up to \$2,000,000 during 2018 to facilitate the Sewer Operating and Maintenance Enterprise Fund's; repayment to the General Fund. The 2018 debt to be issued is proposed to be in the form of a G.O. Sewer Revenue Bond. This proposed issuance in conjunction with amortization of the remaining \$1,000,000 that is owed to the General Fund and the existing debt of the Sewer Operating and Maintenance Enterprise Fund will necessitate increases in the storm water service charges and/or other sewer rates for future years. The timing and extent of increases will be dependent on the outcome of various financing scenario of the proposed debt; the amortization term of the remaining \$1,000,000 due to the General Fund and the options available on the 2007 bond refunding issue.

The City's 2018 capital budget calls for it to spend another \$3,272,064 for capital projects, principally for the following:

Ambulance	\$ 605,000
Cemetery	80,000
General government	191,000
Library	4,500
Memorial Building	901,666
Parks, recreation and arena	153,500
Public safety	248,000
Public works	615,000
Other	473,398
Total	<u>\$ 3,272,064</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 Deputy Clerk, Mary Ann Kepler, City of Hibbing, 401 East 21st Street, Hibbing, Minnesota 55746.

## **BASIC FINANCIAL STATEMENTS**

## CITY OF HIBBING, MINNESOTA

## STATEMENT OF NET POSITION

December 31, 2017

	Primary government			Component Units	
	Governmental Activities	Business - Type Activities	Total	EDA	PUC
<b>ASSETS</b>					
Cash and cash equivalents	\$ 23,149,299	\$ 3,176,362	\$ 26,325,661	\$ 3,074,204	\$ 1,912,799
Designated Cash - Other post employment benefits	-	-	-	-	250,000
Investments	7,746,943	-	7,746,943	-	-
Taxes receivable	395,386	-	395,386	128,457	-
Special assessments receivable	154,983	46,143	201,126	-	-
Accounts receivable	163,852	10,663	174,515	600	4,698,177
Interest receivable	36,164	-	36,164	-	-
Unbilled revenues	-	-	-	-	1,961,537
Internal balances	2,300,000	(2,300,000)	-	-	-
Due from other governments	2,502,490	626,903	3,129,393	4,200	-
Due from component units	-	984,261	984,261	-	-
Due from primary government	-	-	-	261,821	-
Loans receivable	-	-	-	1,168,973	-
Inventories	531	1,350	1,881	-	838,320
Prepaid expenses	36,132	625	36,757	300	387,032
Equity in joint venture	-	-	-	-	20,241,108
Net pension asset	139,407	-	139,407	-	-
Temporarily restricted assets					
Cash and cash equivalents	-	-	-	46,286	1,284,524
Escrowed amounts held with fiscal agents	-	-	-	-	675,521
Capital assets not being depreciated					
Land, improvements, artwork, gravel roads, intangibles and construction in progress	9,935,423	2,464,881	12,400,304	274,273	314,529
Capital assets net of accumulated depreciation					
Infrastructure	33,077,939	16,459,114	49,537,053	19,699	-
Buildings and improvements	25,438,562	32,671,891	58,110,453	-	9,355,628
Transmissions and distribution system	-	-	-	-	48,382,718
Equipment, machinery and furniture	12,722,535	5,105,427	17,827,962	-	50,252,625
Less: accumulated depreciation	(46,664,537)	(19,106,750)	(65,771,287)	(4,597)	(74,160,539)
<b>TOTAL ASSETS</b>	<b>\$ 71,135,109</b>	<b>\$ 40,140,870</b>	<b>\$ 111,275,979</b>	<b>\$ 4,974,216</b>	<b>\$ 66,393,979</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - Pension	10,055,075	524,425	10,579,500	4,258	2,373,058
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 81,190,184</b>	<b>\$ 40,665,295</b>	<b>\$ 121,855,479</b>	<b>\$ 4,978,474</b>	<b>\$ 68,767,037</b>

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

**CITY OF HIBBING, MINNESOTA**  
**STATEMENT OF NET POSITION (continued)**  
December 31, 2017

	Primary government			Component Units	
	Governmental Activities	Business - Type Activities	Total	EDA	PUC
<b>LIABILITIES</b>					
Accounts payable	\$ 164,576	\$ 53,924	\$ 218,500	\$ 7,131	\$ 3,857,656
Salaries payable	1,292,978	26,844	1,319,822	1,112	-
Notes payable	-	-	-	-	-
Due to other governments	232,608	24,891	257,499	2,108	-
Due to primary government	-	-	-	-	984,261
Contracts payable	539,782	568,441	1,108,223	-	-
Customer deposits	-	-	-	-	372,959
Other accrued liabilities	6,127	-	6,127	-	124,562
Donations payable - component unit	415,976	-	415,976	-	-
Unearned revenue	589,376	-	589,376	-	24,939
Accrued interest payable	47,603	68,075	115,678	21,083	1,825
Compensated absences	-	222,158	222,158	-	411,227
Long-term liabilities					
Due to component unit	261,821	-	261,821	-	-
Net pension liability	8,335,294	1,184,251	9,519,545	9,525	5,458,264
Compensated absences	247,776	65,242	313,018	-	952,111
OPEB liability	11,652,354	2,520,340	14,172,694	-	17,998,723
Due within one year	480,000	1,081,000	1,561,000	51,192	751,936
Due in more than one year	3,056,034	8,306,797	11,362,831	1,031,852	3,974,721
<b>TOTAL LIABILITIES</b>	<b>\$ 27,322,305</b>	<b>\$ 14,121,963</b>	<b>\$ 41,444,268</b>	<b>\$ 1,124,003</b>	<b>\$ 34,913,184</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - Pension	11,019,272	416,222	11,435,494	3,303	2,355,697
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	30,712,067	28,206,766	58,918,833	289,375	29,405,442
Restricted for					
Capital projects	2,270,731	-	2,270,731	100,744	-
Debt service	1,540,981	-	1,540,981	402,409	886,626
Other purposes	45,750	-	45,750	-	-
Unrestricted	8,279,078	(2,079,656)	6,199,422	3,058,640	1,206,088
<b>TOTAL NET POSITION</b>	<b>42,848,607</b>	<b>26,127,110</b>	<b>68,975,717</b>	<b>3,851,168</b>	<b>31,498,156</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 81,190,184</b>	<b>\$ 40,665,295</b>	<b>\$121,855,479</b>	<b>\$ 4,978,474</b>	<b>\$ 68,767,037</b>

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



## CITY OF HIBBING, MINNESOTA

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Interest on Loans Receivable
<b>Primary Government</b>					
Governmental activities					
General government	\$ 3,500,059	\$ 176,990	\$ 58,410	\$ -	\$ -
Public safety	8,247,536	1,666,355	482,548	12,286	-
Public works	4,513,764	17,069	390,817	1,705,833	-
Culture and recreation	3,395,600	279,726	18,793	331,767	-
Economic development	19,898	-	-	-	-
Transportation	445,542	53,205	288,258	-	-
Interest on long-term debt	101,936	-	-	-	-
Total Governmental Activities	20,224,335	2,193,345	1,238,826	2,049,886	-
Business-Type Activities					
Garbage and refuse collection	2,554,553	2,803,923	-	-	-
Sewer operating and maintenance	3,125,180	3,406,882	-	582,484	-
Memorial building concessions	8,388	8,951	-	-	-
Total Business-Type Activities	5,688,121	6,219,756	-	582,484	-
Total Primary Government	\$ 25,912,456	\$ 8,413,101	\$ 1,238,826	\$ 2,632,370	\$ -
<b>Component Units</b>					
EDA	\$ 199,958	\$ -	\$ 104,200	\$ -	\$ 33,315
PUC	25,608,288	27,454,681	-	-	-
Total Component Units	\$ 25,808,246	\$ 27,454,681	\$ 104,200	\$ -	\$ 33,315

**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

**Special item - Donation expense****Transfers**

Total General Revenues, and Transfers

Change in Net Position

**NET POSITION - 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
(3,264,659)	\$ -	\$ (3,264,659)		
(6,086,347)	-	(6,086,347)		
(2,400,045)	-	(2,400,045)		
(2,765,314)	-	(2,765,314)		
(19,898)	-	(19,898)		
(104,079)	-	(104,079)		
(101,936)	-	(101,936)		
(14,742,278)	-	(14,742,278)		
-	249,370	249,370		
-	864,186	864,186		
-	563	563		
-	1,114,119	1,114,119		
(14,742,278)	1,114,119	(13,628,159)		
			\$ (62,443)	\$ -
			-	1,846,393
			\$ (62,443)	\$ 1,846,393
6,322,712	-	6,322,712	-	-
2,548,532	-	2,548,532	157,084	-
130,758	-	130,758	-	-
-	-	-	158,717	-
8,130,161	-	8,130,161	94	-
214,900	29,955	244,855	11,103	3,547
(8,611)	901	(7,710)	-	-
-	-	-	-	-
(51,000)	-	(51,000)	51,000	-
17,287,452	30,856	17,318,308	377,998	3,547
2,545,174	1,144,975	3,690,149	315,555	1,849,940
40,303,433	24,982,135	65,285,568	3,535,613	29,648,216
\$ 42,848,607	\$ 26,127,110	\$ 68,975,717	\$ 3,851,168	\$ 31,498,156

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

## CITY OF HIBBING, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2017

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,645,766	\$ 20,821	\$ 14,482,715	\$ 23,149,302
Investments	7,746,943	-	-	7,746,943
Taxes receivable	365,678	6,723	22,985	395,386
Special assessments receivable	-	-	154,983	154,983
Accounts receivable	155,765	224	7,862	163,851
Interest receivable	36,164	-	-	36,164
Due from other funds	2,300,000	-	-	2,300,000
Due from component unit	-	-	-	-
Due from other governments	96,894	-	175,595	272,489
Loans receivable	-	-	46,131	46,131
Prepaid items and other assets	29,573	7,090	-	36,663
<b>TOTAL ASSETS</b>	<b>\$ 19,376,783</b>	<b>\$ 34,858</b>	<b>\$ 14,890,271</b>	<b>\$ 34,301,912</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 146,528	\$ 11,588	\$ 6,460	\$ 164,576
Salaries payable	1,255,731	37,248	-	1,292,979
Due to other funds	-	-	-	-
Due to other governments	202,603	4,844	25,738	233,185
Contracts payable	-	-	539,783	539,783
Unearned revenue	59,243	21,307	508,249	588,799
Other accrued liabilities	6,125	-	208,606	214,731
<b>TOTAL LIABILITIES</b>	<b>1,670,230</b>	<b>74,987</b>	<b>1,288,836</b>	<b>3,034,053</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	339,687	-	-	339,687
Special assessments	-	-	154,983	154,983
Loans receivable	-	-	46,131	46,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>339,687</b>	<b>-</b>	<b>201,114</b>	<b>540,801</b>
<b>FUND BALANCES</b>				
Nonspendable	29,042	7,090	-	36,132
Restricted	9,618	-	3,811,712	3,821,330
Committed	-	-	8,196,484	8,196,484
Assigned	9,565,628	-	1,392,125	10,957,753
Unassigned	7,762,578	(47,219)	-	7,715,359
<b>TOTAL FUND BALANCES</b>	<b>17,366,866</b>	<b>(40,129)</b>	<b>13,400,321</b>	<b>30,727,058</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 19,376,783</b>	<b>\$ 34,858</b>	<b>\$ 14,890,271</b>	<b>\$ 34,301,912</b>

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, 2017

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

<b>TOTAL FUND BALANCES, GOVERNMENTAL FUNDS</b>	<b>\$ 30,727,058</b>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	34,509,922
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.	
Loans receivable	-
Delinquent property taxes	339,687
Deferred and delinquent special assessments	154,983
Interest payable on long-term debt is susceptible to full accrual on the government-wide statements.	(13,998)
The City's net pension liability and related deferred inflows and outflows for its defined benefit pension plans are recorded only on the statement of net position. Balances at year end are:	
Net pension asset	139,407
Net pension liability	(8,335,294)
Deferred inflows of resources - pensions	(11,019,272)
Deferred outflows of resources - pensions	10,055,075
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the governmental funds.	(15,697,985)
Liability for accrued debt service payments recorded for modified accrual accounting but not applicable for government-wide reporting.	175,000
Due from the State of Minnesota for grant funding provided in 2013 on city-wide bonded paving project recorded as an asset for government-wide.	2,230,000
Donations payable - City contributions toward PUC infrastructure costs of Highway 169 extension project (see note 12).	(415,976)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 42,848,607</u></b>

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, 2017

	General Fund	Library Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 6,291,664	\$ 585,693	\$ 2,188,562	\$ 9,065,919
Special assessments	-	-	27,881	27,881
Licenses and permits	115,790	-	-	115,790
Intergovernmental	8,901,248	350	2,123,730	11,025,328
Charges for services	1,923,262	12,422	29,239	1,964,923
Fines	89,645	-	-	89,645
Gifts and contributions	894	18,793	307,952	327,639
Investment income (loss)	123,560	-	91,341	214,901
Miscellaneous	38,987	-	19,500	58,487
<b>TOTAL REVENUES</b>	<b>17,485,050</b>	<b>617,258</b>	<b>4,788,205</b>	<b>22,890,513</b>
<b>EXPENDITURES</b>				
Current				
General government	1,854,633	-	-	1,854,633
Public safety	6,496,512	-	-	6,496,512
Public works	2,976,307	-	-	2,976,307
Culture and recreation	2,088,891	670,538	10,492	2,769,921
Economic development	19,898	-	-	19,898
Transportation	359,368	-	-	359,368
Miscellaneous	2,296,937	-	-	2,296,937
Debt Service				
Principal	29,427	-	650,000	679,427
Interest and other charges	11,586	-	94,630	106,216
Capital Outlay				
General government	-	-	35,018	35,018
Public safety	-	-	359,697	359,697
Public works	-	-	2,721,466	2,721,466
Culture and recreation	-	-	1,508,286	1,508,286
Transportation	-	-	-	-
Miscellaneous	-	-	5,950	5,950
<b>TOTAL EXPENDITURES</b>	<b>16,133,559</b>	<b>670,538</b>	<b>5,385,539</b>	<b>22,189,636</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,351,491</b>	<b>(53,280)</b>	<b>(597,334)</b>	<b>700,877</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	3,072	-	3,072
Transfers out	(54,072)	-	-	(54,072)
Debt issuance	-	-	-	-
Sale of capital assets	701	-	13,348	14,049
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(53,371)</b>	<b>3,072</b>	<b>13,348</b>	<b>(36,951)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,298,120</b>	<b>(50,208)</b>	<b>(583,986)</b>	<b>663,926</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>16,068,746</b>	<b>10,079</b>	<b>13,984,307</b>	<b>30,063,132</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 17,366,866</b>	<b>\$ (40,129)</b>	<b>\$ 13,400,321</b>	<b>\$ 30,727,058</b>

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, 2017

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

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 663,926

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	4,714,539	
Less current year depreciation	<u>(2,137,582)</u>	
Net capital assets		2,576,957

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net assets. (22,660)

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	(64,181)	
Change in deferred inflows of resources - special assessments	(12,011)	
Change in deferred inflows of resources - loans receivable	<u>-</u>	
		(76,192)

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 reduces long-term liabilities in the statement of net position.

Debt issued	-	
Principal repaid	674,427	
Bond premium	<u>1,001</u>	
		675,428

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	3,278	
Change in long-term compensated absences	43,877	
Change in long-term other postemployment benefits	<u>(532,910)</u>	
		(485,755)

Pension expenditures on the governmental funds are measured by current contributions for employees. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources, offset by State of Minnesota grant revenue. (801,723)

Net expenditure recorded for modified accrual accounting in a debt service fund that has provided financial resources on a liability that matured in early 2018. This is not applicable for government-wide reporting. 5,000

Change in due from the State of Minnesota for grant funding provided in 2013 on city-wide bonded paving project. 10,193

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 2,545,174

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

## CITY OF HIBBING, MINNESOTA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017

	Business-Type Activities - Enterprise Funds			
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,976,841	\$ 11,200	\$ 188,321	\$ 3,176,362
Special assessments receivable	19,626	26,517	-	46,143
Accounts receivable	4,742	4,610	1,311	10,663
Due from other funds	-	-	-	-
Due from other governments	505	626,398	-	626,903
Due from component units	438,857	545,404	-	984,261
Inventories	1,350	-	-	1,350
Prepaid expenses	-	-	625	625
<b>TOTAL CURRENT ASSETS</b>	<b>3,441,921</b>	<b>1,214,129</b>	<b>190,257</b>	<b>4,846,307</b>
<b>NONCURRENT ASSETS</b>				
<b>OTHER ASSETS</b>				
Capital assets				
Land and improvements	297,689	126,030	-	423,719
Construction in progress	-	2,041,162	-	2,041,162
Infrastructure	-	16,459,114	-	16,459,114
Buildings and improvements	131,217	32,540,674	-	32,671,891
Equipment, machinery and furniture	3,210,714	1,865,116	29,597	5,105,427
Less accumulated depreciation	(2,833,670)	(16,247,498)	(25,582)	(19,106,750)
<b>TOTAL NONCURRENT ASSETS</b>	<b>805,950</b>	<b>36,784,598</b>	<b>4,015</b>	<b>37,594,563</b>
<b>TOTAL ASSETS</b>	<b>4,247,871</b>	<b>37,998,727</b>	<b>194,272</b>	<b>42,440,870</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - Pensions	263,071	261,354	-	524,425
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,510,942</b>	<b>38,260,081</b>	<b>194,272</b>	<b>42,965,295</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	38,392	15,345	187	53,924
Salaries payable	14,175	12,669	-	26,844
Accrued interest payable	-	68,075	-	68,075
Due to other funds	-	2,300,000	-	2,300,000
Due to other governments	13,074	11,792	25	24,891
Other accrued expenses	-	-	-	-
Unearned revenue	-	-	-	-
Compensated absences	117,956	104,202	-	222,158
Contracts payable	-	568,441	-	568,441
OPEB liability	1,320,602	1,199,738	-	2,520,340
Bonds, notes and leases payable-current	-	1,081,000	-	1,081,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,504,199</b>	<b>5,361,262</b>	<b>212</b>	<b>6,865,673</b>
<b>NONCURRENT LIABILITIES</b>				
Net pension liability	594,970	589,281	-	1,184,251
Compensated absences	41,059	24,183	-	65,242
Bonds, notes and leases payable	-	8,306,797	-	8,306,797
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>636,029</b>	<b>8,920,261</b>	<b>-</b>	<b>9,556,290</b>
<b>TOTAL LIABILITIES</b>	<b>2,140,228</b>	<b>14,281,523</b>	<b>212</b>	<b>16,421,963</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - Pensions	212,295	203,927	-	416,222
<b>NET POSITION</b>				
Invested in Capital assets, net of related debt	805,950	27,396,801	4,015	28,206,766
Unrestricted	1,352,469	(3,622,170)	190,045	(2,079,656)
<b>TOTAL NET POSITION</b>	<b>2,158,419</b>	<b>23,774,631</b>	<b>194,060</b>	<b>26,127,110</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 4,510,942</b>	<b>\$ 38,260,081</b>	<b>\$ 194,272</b>	<b>\$ 42,965,295</b>

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, 2017

	<b>Business-Type Activities - Enterprise Funds</b>			
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,776,588	\$ 3,397,175	\$ 8,951	\$ 6,182,714
Sewer connect fees	-	4,208	-	4,208
Miscellaneous	27,335	5,499	-	32,834
<b>TOTAL OPERATING REVENUES</b>	<b>2,803,923</b>	<b>3,406,882</b>	<b>8,951</b>	<b>6,219,756</b>
<b>OPERATING EXPENSES</b>				
Personal services	917,456	892,272	-	1,809,728
OPEB expense of retiree health insurance premiums	32,158	90,562	-	122,720
OPEB expense - actuarial impact	112,440	54,036	-	166,476
Pension expense - actuarial impact	41,941	39,656	-	81,597
Contractual services	1,012,759	110,772	-	1,123,531
Administration	-	-	-	-
Utilities	90,414	294,944	-	385,358
Repairs and maintenance	7,860	50,555	1,226	59,641
Other supplies and expenses	85,028	146,240	5,660	236,928
Insurance claims and expenses	74,195	50,152	-	124,347
Depreciation	175,028	1,196,688	1,047	1,372,763
Miscellaneous	5,274	14,759	455	20,488
<b>OTHER OPERATING EXPENSES</b>	<b>2,554,553</b>	<b>2,940,636</b>	<b>8,388</b>	<b>5,503,577</b>
<b>OPERATING INCOME</b>	<b>249,370</b>	<b>466,246</b>	<b>563</b>	<b>716,179</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	25,845	2,292	1,818	29,955
Miscellaneous revenue (expense)	-	(589)	-	(589)
Impairment loss on capital assets	-	-	-	-
Sale of capital assets	901	-	-	901
Operating grants	-	-	-	-
Interest expense	-	(183,955)	-	(183,955)
Transfer from primary government	-	-	-	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>26,746</b>	<b>(182,252)</b>	<b>1,818</b>	<b>(153,688)</b>
<b>INCOME BEFORE CAPITAL GRANTS</b>	<b>276,116</b>	<b>283,994</b>	<b>2,381</b>	<b>562,491</b>
<b>CAPITAL GRANTS</b>	<b>-</b>	<b>582,484</b>	<b>-</b>	<b>582,484</b>
<b>CHANGE IN NET POSITION</b>	<b>276,116</b>	<b>866,478</b>	<b>2,381</b>	<b>1,144,975</b>
<b>TOTAL NET POSITION - JANUARY 1</b>	<b>1,882,303</b>	<b>22,908,153</b>	<b>191,679</b>	<b>24,982,135</b>
<b>TOTAL NET POSITION - DECEMBER 31</b>	<b>\$ 2,158,419</b>	<b>\$ 23,774,631</b>	<b>\$ 194,060</b>	<b>\$ 26,127,110</b>

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, 2017

	<b>Business-Type Activities - Enterprise Funds</b>			
	Garbage and Refuse Collection Enterprise Fund	Sewer Operating and Maintenance Enterprise Fund	Nonmajor Enterprise Fund-Memorial Building Concessions	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,722,776	\$ 3,022,838	\$ 7,665	\$ 5,753,279
Cash paid to suppliers	(1,587,784)	(948,011)	(7,451)	(2,543,246)
Cash paid to employees	(600,871)	(581,484)	-	(1,182,355)
Cash paid for retiree health insurance premiums	(32,158)	(90,562)	-	(122,720)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>501,963</u>	<u>1,402,781</u>	<u>214</u>	<u>1,904,958</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous (payment) collection	-	(589)	-	(589)
Interfund financing payments	-	-	-	-
Borrowing from primary government	-	1,300,000	-	1,300,000
Prior year cash deficit advances	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>1,299,411</u>	<u>-</u>	<u>1,299,411</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase or construction of capital assets	(159,363)	(2,330,523)	-	(2,489,886)
Proceeds from sale of capital assets	901	-	-	901
Advances on notes payable	-	-	-	-
Principal paid on long-term debt	-	(1,063,966)	-	(1,063,966)
Interest paid on long-term debt	-	(183,955)	-	(183,955)
Issuance costs paid on long-term debt	-	-	-	-
Capital grants and contributions	-	582,484	-	582,484
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(158,462)</u>	<u>(2,995,960)</u>	<u>-</u>	<u>(3,154,422)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	<u>25,845</u>	<u>2,292</u>	<u>1,818</u>	<u>29,955</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>369,346</u>	<u>(291,476)</u>	<u>2,032</u>	<u>79,902</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>2,607,495</u>	<u>302,676</u>	<u>186,289</u>	<u>3,096,460</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 2,976,841</u>	<u>\$ 11,200</u>	<u>\$ 188,321</u>	<u>\$ 3,176,362</u>

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

**CITY OF HIBBING, MINNESOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
Year Ended December 31, 2017**

<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Garbage and Refuse Collection Enterprise Fund</b>	<b>Sewer Operating and Maintenance Enterprise Fund</b>	<b>Nonmajor Enterprise Fund-Memorial Building Concessions</b>	<b>Totals</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 249,370	\$ 466,246	\$ 563	\$ 716,179
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	175,028	1,196,688	1,047	1,372,763
(Increase) decrease in assets/deferred outflows:				
Special assessments receivable	9,163	14,139	-	23,302
Taxes receivable	-	-	-	-
Accounts receivable	(4,092)	(1,071)	(1,311)	(6,474)
Due from component unit	9,351	12,699	-	22,050
Due from other funds and governments	10,111	(412,611)	-	(402,500)
Inventories	21	-	-	21
Prepaid expenses	-	-	(170)	(170)
Deferred pension outflows	39,826	37,656	-	77,482
Increase (decrease) in liabilities/deferred inflows:				
Accounts payable	(3,958)	4,761	60	863
Salaries payable	2,614	2,043	-	4,657
Other accrued expenses	-	(6,423)	-	(6,423)
Deferred revenue	-	-	-	-
Compensated absences - current	9,952	40,046	-	49,998
Due to other governments	(105,679)	2,802	25	(102,852)
OPEB liabilities	112,440	54,036	-	166,476
Net pension liability	(127,124)	(120,200)	-	(247,324)
Deferred pension inflows	129,241	122,199	-	251,440
Compensated absences - long-term	(4,301)	(10,229)	-	(14,530)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 501,963</b>	<b>\$ 1,402,781</b>	<b>\$ 214</b>	<b>\$ 1,904,958</b>

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, 2017

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hibbing (the City) was incorporated on August 15, 1893. The City has operated 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.

In December 2016, the City council adopted a resolution approving special legislation that allows for moving from a Standard Plan of government to an Optional Plan A form of government and modification of the ward system from five wards to four. This change will be effective the earlier of December 31, 2018, or the termination of the clerk's term prior to such date.

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

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

Currently the City has no blended component units.

**Discretely Presented Component Units**

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

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, 2017

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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, 2017

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**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, 2017

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**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. Expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Debt service expenditures are recorded only when payment is due, unless financial resources have been specifically provided to a debt service fund for payment of liabilities that will mature early in the following year.

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, 2017

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**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, 2017

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**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 three 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) *Pensions.* For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employee Retirement Association (PERA) and the City of Hibbing's Volunteer Fire Department Relief Association (HVRA) fiduciary net position have been determined on the same basis as they are reported by PERA and HVRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- 10) 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, 2017

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 11) 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 balances are 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.

- 12) Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows 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.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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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 assessment 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 contracts, qualified employees hired before January 1, 2007, meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the City (see Note 15).

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. New Accounting Pronouncements**

**GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of GASB Statement Nos. 45 and 57. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**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, 2017:

Primary Government

Library Special Revenue Fund -

unassigned fund balance (\$47,219)

It is anticipated that the deficit will be eliminated by a future levy.

Primary Government

Sewer Operating and Maintenance Enterprise

Fund - unrestricted net position (\$3,622,170)

A portion of 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. An additional deficit was created in 2017 related to the City's work on a significant storm sewer infrastructure project. As discussed in note 12, the City intends to issue bonds related to the storm sewer project in 2018 to reimburse the general fund borrowings. This debt issuance will be funded by future increased sewer rates.

EDA Component Unit

Storefront Renovation Capital Project Fund (\$113,562)

It is anticipated that the deficit will be eliminated as existing loans are repaid in future years.

EDA Component Unit

Tax Increment District XII Debt Service (\$809)

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	\$ 1,730	\$ -	\$ -	\$ 1,730
Deposits				
Cash in bank accounts	3,894,863	3,074,204	1,912,799	8,881,866
Money market funds	22,429,068	-	-	22,429,068
Total cash and cash equivalents	26,325,661	3,074,204	1,912,799	31,312,664
Designated - Other post employment benefits				
Cash and cash equivalents	-	-	250,000	250,000
Temporarily restricted assets				
Cash and cash equivalents	-	46,286	1,960,045	2,006,331
Investments				
Other	7,746,943	-	-	7,746,943
Total investment	7,746,943	-	-	7,746,943
Total	\$ 34,072,604	\$ 3,120,490	\$ 4,122,844	\$ 41,315,938

## CITY OF HIBBING

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## 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 \$7,017,083; the bank balance was \$7,716,841. At December 31, 2017, the carrying amount of Hibbing Public Utility Commission's deposits was \$3,447,323 and the bank balance was \$3,802,682. 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 under collateralized by \$312,825.

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 Protector Insurance (SIPC) and excess SIPC coverage. At year end the City had \$7,746,943 in investments 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, 2017, the City-Primary Government had the following investments:

Investment Type	Fair Value	Rating	Investment Maturities (in Years)		
			Less than 1	1 - 5	6 - 10
Certificates of Deposit	\$ 3,080,964	Not rated	211,696	2,658,343	210,925
Government Bonds FNMA/FHLMC	4,665,979	Moody AAA	-	4,170,519	495,460
Total Fair Value	<u>\$ 7,746,943</u>		<u>211,696</u>	<u>6,828,862</u>	<u>706,385</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based of the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

The City has the following recurring fair value measurement as of December 31, 2017.

Investment Type	12/31/17	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificates of Deposit	3,080,964	-	3,080,964	-
Government Bonds FNMA/FHLMC	4,665,979	-	4,665,979	-
Total	<u>7,746,943</u>	<u>-</u>	<u>7,746,943</u>	<u>-</u>

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**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, 2017, 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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Operations Transfer in	Ending Balance
<b>Governmental Activities</b>						
<b>Capital assets, not being depreciated:</b>						
Land and improvements	\$ 1,861,366	\$ 97,377	\$ -	\$ -	\$ -	\$ 1,958,743
Intangible - easements	25,600	-	-	-	-	25,600
Artwork	1,819,350	-	-	-	-	1,819,350
Gravel roads	4,111,250	-	-	-	-	4,111,250
Construction in progress	1,037,794	1,499,753	(517,067)	-	-	2,020,480
<b>Total capital assets, not being depreciated</b>	<b>8,855,360</b>	<b>1,597,130</b>	<b>(517,067)</b>	<b>-</b>	<b>-</b>	<b>9,935,423</b>
<b>Capital assets, being depreciated:</b>						
Infrastructure	30,208,435	2,869,504	-	-	-	33,077,939
Buildings and improvements	25,420,433	72,939	(54,810)	-	-	25,438,562
Equipment, machinery, and furniture	13,042,671	692,033	(884,873)	-	(127,296)	12,722,535
<b>Total capital assets, being depreciated</b>	<b>68,671,539</b>	<b>3,634,476</b>	<b>(939,683)</b>	<b>-</b>	<b>(127,296)</b>	<b>71,239,036</b>
<b>Less accumulated depreciation for:</b>						
Infrastructure	(19,720,808)	(783,445)	-	-	-	(20,504,253)
Buildings and improvements	(16,240,213)	(535,288)	54,810	-	-	(16,720,691)
Equipment, machinery, and furniture	(9,610,253)	(818,849)	862,213	-	127,296	(9,439,593)
<b>Total accumulated depreciation</b>	<b>(45,571,274)</b>	<b>(2,137,582)</b>	<b>917,023</b>	<b>-</b>	<b>127,296</b>	<b>(46,664,537)</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,100,265</b>	<b>1,496,894</b>	<b>(22,660)</b>	<b>-</b>	<b>-</b>	<b>24,574,499</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 31,955,625</b>	<b>\$ 3,094,024</b>	<b>\$ (539,727)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,509,922</b>

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## NOTE 4 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
<b>Business-type activities</b>					
<b>Capital assets, not being depreciated:</b>					
Land and improvements	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	1,774,175	1,688,670	(1,421,683)	-	2,041,162
<b>Total Capital assets, not being depreciated</b>	<u>2,197,894</u>	<u>1,688,670</u>	<u># (1,421,683)</u>	<u>-</u>	<u>2,464,881</u>
<b>Capital assets, being depreciated:</b>					
Infrastructure	14,553,646	1,905,468	-	-	16,459,114
Buildings and improvements	32,063,812	608,079	-	-	32,671,891
Equipment, machinery, and furniture	4,828,610	181,628	(32,107)	127,296	5,105,427
<b>Total capital assets, being depreciated</b>	<u>51,446,068</u>	<u>2,695,175</u>	<u>- (32,107)</u>	<u>127,296</u>	<u>54,236,432</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	(2,009,379)	(357,676)	-	-	(2,367,055)
Buildings and improvements	(11,889,627)	(760,170)	-	-	(12,649,797)
Equipment, machinery, and furniture	(3,739,792)	(254,917)	32,107	(127,296)	(4,089,898)
<b>Total accumulated depreciation</b>	<u>(17,638,798)</u>	<u>(1,372,763)</u>	<u>- 32,107</u>	<u>(127,296)</u>	<u>(19,106,750)</u>
<b>Total capital assets being depreciated, net</b>	<u>33,807,270</u>	<u>1,322,412</u>	<u># -</u>	<u>-</u>	<u>35,129,682</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 36,005,164</u>	<u>\$ 3,011,082</u>	<u>\$- (1,421,683)</u>	<u>\$ -</u>	<u>\$ 37,594,563</u>

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

**Governmental activities**

General government	\$ 210,047
Public safety	338,188
Public works, including depreciation of general infrastructure assets	1,131,247
Culture and recreation	372,857
Economic development	-
Transportation	85,243
<b>Total depreciation expense- governmental activities</b>	<u>\$ 2,137,582</u>

**Business-type activities**

Garbage and refuse collection	\$ 175,028
Sewer operating and maintenance	1,196,688
Memorial Building concessions	1,047
<b>Total depreciation expense- business-type activities</b>	<u>\$ 1,372,763</u>



## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## NOTE 4 CAPITAL ASSETS (continued)

Activity for the Hibbing Economic Development Authority for the year ended December 31, 2017, was as follows:

## Discretely presented component units

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
<b>Capital assets, not being depreciated:</b>					
Land and improvements	\$ 267,393	\$ -	\$ -	\$ -	\$ 267,393
Construction in progress	6,880	-	-	-	6,880
<b>Total capital assets, not being depreciated</b>	<b>274,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274,273</b>
<b>Capital assets, being depreciated:</b>					
Infrastructure	19,699	-	-	-	19,699
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	-	-	-	-	-
<b>Total capital assets, being depreciated</b>	<b>19,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,699</b>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	-	-	-	-	-
Equipment, machinery, and furniture	(3,940)	(657)	-	-	(4,597)
<b>Total accumulated depreciation</b>	<b>(3,940)</b>	<b>(657)</b>	<b>-</b>	<b>-</b>	<b>(4,597)</b>
<b>Total capital assets, being depreciated, net</b>	<b>15,759</b>	<b>(657)</b>	<b>-</b>	<b>-</b>	<b>15,102</b>
<b>Hibbing Economic Development Authority capital assets, net</b>	<b>\$ 290,032</b>	<b>\$ (657)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 289,375</b>

Activity for the Hibbing Public Utilities Commission for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Reclass- ification	Ending Balance
<b>Capital assets, not being depreciated:</b>					
Construction in progress	\$ 894,983	\$ (259,096)	\$ (321,358)	\$ -	\$ 314,529
<b>Total capital assets, not being depreciated</b>	<b>894,983</b>	<b>(259,096)</b>	<b>(321,358)</b>	<b>-</b>	<b>314,529</b>
<b>Capital assets, being depreciated:</b>					
Buildings and grounds	9,310,103	45,525	-	-	9,355,628
Transmission and distribution system	48,110,937	271,781	-	-	48,382,718
Equipment, machinery, and furniture	49,842,030	620,259	(209,664)	-	50,252,625
<b>Total capital assets, being depreciated</b>	<b>107,263,070</b>	<b>937,565</b>	<b>(209,664)</b>	<b>-</b>	<b>107,990,971</b>
<b>Less total accumulated depreciation</b>	<b>(71,186,191)</b>	<b>(3,168,355)</b>	<b>194,007</b>	<b>-</b>	<b>(74,160,539)</b>
<b>Total Capital assets, being depreciated, net</b>	<b>36,076,879</b>	<b>(2,230,790)</b>	<b>(15,657)</b>	<b>-</b>	<b>33,830,432</b>
<b>Hibbing Public Utilities Commission capital assets, net</b>	<b>\$ 36,971,862</b>	<b>\$ (2,489,886)</b>	<b>\$ (337,015)</b>	<b>\$ -</b>	<b>\$ 34,144,961</b>

## NOTE 5 OPERATING LEASES

The City has a sublease agreement with St. Louis County for office facilities for its police department. The EDA has a lease agreement with the Chisholm-Hibbing Airport Authority for land for the animal shelter. The City also has various lease agreements for public works grader equipment and various office related equipment. Total cost for these leases was \$137,824 for the year ended December 31, 2017. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2018	\$ 143,021
2019	95,785
2020	19,183
2021	8,900
2022	8,600
2023 - 2028	51,700
	<u>\$ 327,189</u>

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

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**NOTE 6 LINE OF CREDIT**

The PUC has entered into a line of credit agreement with its primary bank. The agreement establishes 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 matures on September 14, 2018. As of December 31, 2017, no amounts had been drawn down on the line.

**NOTE 7 LONG-TERM DEBT**

**Primary Government - Governmental Activities**

**Recent debt issuance:**

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

**Primary Government - Business-Type Activities**

**Recent debt issuance:**

In 2012, the City issued a \$4,912,830 General Obligation Sewer Revenue Note for a wastewater treatment plant improvement project. Advances were made on this loan as the City submitted cost reimbursement requests to the Minnesota Public Facilities Authority. As of December 31, 2017, the City had advanced \$4,448,895 against the approved loan of \$4,912,830. During 2013 to 2017, the City made principal payments totaling \$1,180,150. The entire loan amount of \$4,912,830 less the \$1,180,150 in principal payments is reflected in the projected principal payments. The final draw of \$463,935 was taken by the City in January 2018.

**Primary Government**

**Relationship on debt issued by discretely presented component unit - EDA:**

The City also issues long-term leases and certificates of indebtedness for the purchase of major equipment and other items. 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 of an animal shelter. The amount of the obligation related to the EDA-Component Unit at December 31, 2017 was \$261,821.

The other EDA bond payable at December 31, 2017 with principal outstanding of \$830,000 is a General Obligation Tax Increment Bond issued by the EDA with the pledge of repayment from tax increments to be received on the respective Tax Increment Financing Districts. If the net tax increments captured are insufficient to pay principal and interest due on the bonds, the deficiency would become a liability of the City with payment obligated from the general taxing authority of the City.

**Relationship on debt issued by discretely presented component unit - PUC:**

In March 2015, the City authorized the Public Utilities Commission's issuance of a Utility Net Revenue Note in the amount of \$3,426,000, payable to Dougherty Funding LLC. The proceeds of the note funded a one year reserve account for principal and interest and was used by the Public Utilities Commission to make upgrades to the Public Utilities' systems. Advances were made on this loan as the Public Utilities Commission submitted draw requests to Dougherty Funding LLC to pay project costs. The balance of the loan at December 31, 2017 was \$2,805,843. The net revenues of the Public Utilities Commission are pledged first to repay the Note and if the Public Utilities Commission's net revenues are not sufficient to pay the principal and interest in a given year, then the City's general taxing authority is liable to replenish the one year reserve account. As of December 31, 2017, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$2,805,843 is included in the financial statements of the Public Utilities Commission.

## CITY OF HIBBING MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 7 LONG-TERM DEBT (continued)****Relationship on debt issued by discretely presented component - PUC (continued):**

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 were made on this loan as the Public Utilities Commission submitted cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2017, the Public Utilities Commission's notes payable balance on this loan was \$270,000. 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. As of December 31, 2017, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$270,000 is included in the financial statements of the Public Utilities Commission.

In 2001, the City authorized the issuance of a Taxable General Obligation Drinking Water Revenue note in the amount of \$1,275,000, payable to the Minnesota Public Facilities Authority. Advances were made on this loan as the Public Utilities Commission submitted cost reimbursements to the Minnesota Public Facilities Authority. As of December 31, 2017, the Public Utilities Commission's notes payable balance on this loan was \$288,000. 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. As of December 31, 2017, the City has not recorded any amounts in their financial statements in regards to this contingent liability and the note payable balance of \$288,000 is included in the financial statements of the Public Utilities Commission.

Components of long-term liabilities are as follows:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation bonds					
2007 A Equipment	12/1/2007	4.00%	\$ 440,000	2/1/2017	\$ -
Series 2009B	5/1/2009	0.75-3.50%	\$ 1,370,000	2/1/2019	155,000
Series 2012A	2/1/2012	0.40-1.70%	\$ 1,890,000	2/1/2017	595,000
Series 2013A	11/1/2013	2.00-3.50%	\$ 3,585,000	2/1/2029	2,760,000
Plus: Unamortized Bond Premium					26,034
Total General obligation bonds					3,536,034
Lease purchase obligations	2/1/2009	1.75-4.40%	\$ 462,500	2/1/2024	261,821
Compensated absences payable					247,776
Net pension liability					8,335,294
OPEB liability					11,652,354
<b>Governmental Activities Long-Term Liabilities</b>					<b>\$ 24,033,279</b>

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## NOTE 7 LONG-TERM DEBT (continued)

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
<b>Business-Type Activity</b>					
General obligation revenue					
2003 Sewer Notes	1/29/2003	1.74%	\$ 9,847,450	8/20/2022	\$ 2,943,000
2007 Sewer Revenue Bonds	12/1/2007	4.00-4.10%	\$ 2,365,000	2/1/2028	1,525,000
2010 Sewer Revenue Note	11/30/2010	1.34%	\$ 1,726,575	8/20/2025	856,000
2012A General Obligation Bond	2/1/2012	0.40-2.85%	\$ 1,010,000	2/1/2032	800,000
Less: Unamortized bond discount					(4,948)
2012 Sewer Revenue Note	10/23/2012	1.00%	\$ 4,912,830	8/20/2031	3,268,745
Compensated absences payable					65,242
Net pension liability					1,184,251
OPEB liability					2,520,340
<b>Business-Type Activities Long-Term Liabilities</b>					<b>13,157,630</b>
<b>Total Primary Government Long-Term Liabilities</b>					<b>37,190,909</b>
<b>Discretely Presented Component Units</b>					
<b>EDA</b>					
Bonds and notes payable					
1997B General Obligation Tax Increment Bonds	8/1/1997	7.50%	\$ 320,000	2/1/2017	-
1999A General Obligation Tax Increment Bonds	10/1/1999	7.49%	\$ 165,000	2/1/2016	-
2009A Public Project Revenue Bonds	5/7/2009	1.75-4.50%	\$ 462,500	2/1/2024	261,821
2014A General Obligation Tax Increment Bonds	2/1/2014	4.00-5.25%	\$ 830,000	2/1/2036	830,000
Less: Unamortized Bond Discount					(8,777)
Net pension liability					9,525
<b>Total EDA-Component Unit Long-Term Liabilities</b>					<b>1,092,569</b>
<b>PUC</b>					
Bonds, notes, and real estate mortgage payable					4,726,657
Compensated absences payable					952,111
Net pension liability					5,458,264
OPEB liability					17,998,723
<b>Total PUC-Component Unit Long-Term Liabilities</b>					<b>29,135,755</b>
<b>Total Reporting Entity</b>					<b>\$ 67,419,233</b>

Long-Term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Primary Government</b>					
<b>Governmental Activities</b>					
General obligation bonds payable	\$ 4,155,000	\$ -	\$ (645,000)	\$ 3,510,000	\$ 480,000
Unamortized bond premiums	27,035	-	(1,001)	26,034	-
Certificates of indebtedness	-	-	-	-	-
Lease purchase obligation	291,248	-	(29,427)	261,821	-
Compensated absences payable	291,653	18,547	(62,424)	247,776	-
OPEB liability	11,119,444	1,776,488	(1,243,578)	11,652,354	-
Net pension liability	18,078,871	859,161	(10,602,738)	8,335,294	-
<b>Governmental Activities-Long-Term Liabilities</b>	<b>\$ 33,963,251</b>	<b>\$ 2,654,196</b>	<b>\$ (12,584,168)</b>	<b>\$ 24,033,279</b>	<b>\$ 480,000</b>

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## NOTE 7 LONG-TERM DEBT (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities</b>					
GO revenue notes payable	\$ 7,977,065	\$ -	\$ (909,320)	\$ 7,067,745	\$ 921,000
GO revenue bonds payable	2,480,000	-	(155,000)	2,325,000	160,000
Unamortized bond discounts	(5,302)	-	354	(4,948)	-
Compensated absences payable	79,772	8,086	(22,616)	65,242	-
OPEB liability	2,353,864	289,196	(122,720)	2,520,340	-
Net pension liability	1,431,575	82,021	(329,345)	1,184,251	-
<b>Business-Type Activities- Long-Term Liabilities</b>	<b>14,316,974</b>	<b>379,303</b>	<b>(1,538,647)</b>	<b>13,157,630</b>	<b>1,081,000</b>
Total Primary Government	\$ 48,280,225	\$ 3,033,499	\$ (14,122,815)	\$ 37,190,909	\$ 1,561,000
<b>Discretely Presented Component Units</b>					
<b>EDA</b>					
Bonds payable	\$ 1,161,248	\$ -	\$ (69,427)	\$ 1,091,821	\$ 51,192
Unamortized bond discount	(8,996)	-	219	(8,777)	-
Net pension liability	11,471	646	(2,592)	9,525	-
<b>EDA-Component Unit Long-Term Liabilities</b>	<b>\$ 1,163,723</b>	<b>\$ 646</b>	<b>\$ (71,800)</b>	<b>\$ 1,092,569</b>	<b>\$ 51,192</b>
<b>PUC</b>					
Bonds, notes, and real estate mortgage payable	\$ 5,663,858	\$ 116,422	\$ (1,053,623)	\$ 4,726,657	\$ 751,936
Compensated absences payable	988,115	-	(36,004)	952,111	-
OPEB liability	17,316,985	1,420,738	(739,000)	17,998,723	-
Net pension liability	7,364,392	(1,495,661)	(410,467)	5,458,264	-
<b>PUC-Component Unit Long-Term Liabilities</b>	<b>\$ 31,333,350</b>	<b>\$ 41,499</b>	<b>\$ (2,239,094)</b>	<b>\$ 29,135,755</b>	<b>\$ 751,936</b>
<b>Total</b>	<b>\$ 80,777,298</b>	<b>\$ 3,075,644</b>	<b>\$ (16,433,709)</b>	<b>\$ 67,419,233</b>	<b>\$ 2,364,128</b>

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

Year Ending December 31	Primary Government					
	Government Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 511,192 (1)	\$ 94,346	\$ 1,081,000	\$ 176,164	\$ 1,592,192	\$ 270,510
2019	528,064	83,144	1,098,000	157,167	1,626,064	240,311
2020	365,047	73,705	1,113,000	137,814	1,478,047	211,519
2021	372,150	65,631	1,132,000	118,062	1,504,150	183,693
2022	384,379	56,555	1,157,000	97,775	1,541,379	154,330
2023-2027	1,150,989	164,103	2,677,000	275,234	3,827,989	439,337
2028-2032	460,000	15,994	1,598,680	53,560	2,058,680	69,554
2033-2037	-	-	-	-	-	-
Total	\$ 3,771,821	\$ 553,478	\$ 9,856,680 (2)	\$ 1,015,776	\$ 13,628,501	\$ 1,569,254
Year Ending December 31	Component Units					
	EDA		PUC			
	Principal	Interest	Principal	Interest		
2018	\$ 51,192	\$ 49,613	\$ 751,936	\$ 134,690		
2019	53,064	47,575	658,195	113,129		
2020	60,047	45,295	617,641	95,572		
2021	67,150	42,679	440,274	77,972		
2022	69,379	39,833	453,116	63,769		
2023-2027	290,989	155,733	1,816,532	110,449		
2028-2032	250,000	97,946	-	-		
2033-2037	250,000	26,745	-	-		
Total	\$ 1,091,821	\$ 505,419	\$ 4,737,694	\$ 595,581		

(1) Includes \$31,192 in capital lease payments to the EDA.

(2) Includes the \$463,935 final draw advanced in January 2018.

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 7 LONG-TERM DEBT (continued)**

**REVENUE PLEDGED**

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

Bond Issue	Original Issue	Use of Proceeds	Revenue Pledged		Term of Pledge	Remaining Principal and Interest	Current Year	
			Type	Percent of Total Debt Service			Principal and Interest Paid	Pledged Revenue Received
G.O. Series 2009B	1,370,000	Capital Equip. (inc. playground eq.) & capital improvements	Ad Valorem Taxes	100%	2010 - 2019	\$ 160,513	\$ 81,550	\$ 81,550
G.O. Series 2012A (Equipment Certificates)	1,890,000	Equip. purchases for fire, police, and public works depts.	Ad Valorem Taxes	100%	2012 - 2022	\$ 618,061	\$ 274,626	\$ 274,626
G.O. Series 2013A	2,890,000	Street reconstruction	MSA allotments	100%	2014 - 2029	\$ 2,870,131	\$ 238,913	\$ 238,913
G.O. Series 2013A (Equipment Certificates)	695,000	Purchase of Equip.	Ad Valorem Taxes	100%	2014 - 2023	\$ 276,250	\$ 123,850	\$ 123,850
G.O. Revenue Note - 2003 Sewer	9,847,450	Waste treatment plant expansion	Receipts - Sewer Fund	100%	2003 - 2022	\$ 3,098,382	\$ 619,935	\$ 619,935
G.O. Revenue Bond - 2007 Sewer	2,365,000	Phases 3-5 sanitary and storm sewer rehabilitation projects	Receipts - Sewer Fund	100%	2008 - 2028	\$ 1,921,985	\$ 173,685	\$ 173,685
G.O. Revenue Note - 2010 Sewer	1,726,575	Sanitary sewer improvement projects	Receipts - Sewer Fund	100%	2010 - 2025	\$ 908,447	\$ 113,823	\$ 113,823
G.O. Revenue Bond - 2012A Sewer	1,010,000	Improvements to municipal sewer system	Receipts - Sewer Fund	100%	2012 - 2032	\$ 966,033	\$ 62,625	\$ 62,625
G.O. Revenue Note - 2012 Sewer	4,912,830	Wastewater treatment plant improvement project	Receipts - Sewer Fund	100%	2012 - 2031	\$ 4,018,507	\$ 284,489	\$ 284,489
2009A Public Project Revenue Bonds	462,500	Construction of Animal Shelter	Capital Lease Payments - from Primary Government	100%	2009 - 2024	\$ 324,394	\$ 41,013	\$ 41,013
2014A G.O. Tax Increment Bonds	830,000	Land acquisition and site improvements in TIF #12 (Hotel)	Tax Increment	100%	2017 - 2036	\$ 1,292,846	\$ 39,528	\$ 59,681

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**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 was 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 was 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 was 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 the their final maturity.

The City has issued the financial arrangements and instruments noted above to facilitate private-sector entities in their refinancing projects as they were 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 the 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 three issues outstanding. The aggregate amount payable at December 31, 2017, is \$10,767,982. Records for revenue bonds or notes issued prior to 1995 are not available.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 8 INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances as of December 31, 2017, 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>
<b>Primary Government</b>				
General Fund	\$ 2,300,000	\$ -	\$ -	\$ -
Enterprise Funds	-	-	-	-
Garbage and Refuse	-	438,857	-	-
Sewer Operating and Maintenance	-	545,404	2,300,000	-
<b>Total Primary Government</b>	<b>\$ 2,300,000</b>	<b>\$ 984,261</b>	<b>\$ 2,300,000</b>	<b>\$ -</b>
<b>Component Units</b>				
Hibbing Economic Development Authority EDA				
General Fund	\$ 1,946	\$ -	\$ -	\$ -
Tax Increment XI	-	-	1,664	-
Tax Increment XII	-	-	282	-
Economic Development Special Revenue Fund	123,000	-	-	-
Storefront Renovation Capital Projects Funds	-	-	123,000	-
Subtotal EDA	124,946	-	124,946	-
Hibbing Public Utilities Commission	-	-	-	984,261
<b>Total Component Units</b>	<b>\$ 124,946</b>	<b>\$ -</b>	<b>\$ 124,946</b>	<b>\$ 984,261</b>

The amounts due from the Hibbing Public Utilities Commission relates to monthly garbage and sewer charges collected for the primary government. During 2017, the City modified its practice with the Public Utilities Commission to remit these collections in 60 days versus within 30 days, effective until the earlier of December 31, 2018 or until the City Council takes action to revert to the 30 day remittance practice. In July of 2018, the City Council took action to revert to the 30 day remittance practice.

The interfund loan between the General Fund and the Sewer Operating and Maintenance Fund was needed originally to fund large overruns that occurred in the past on a storm sewer renovation project. The balance on that project was at \$1,000,000 at December 31, 2016. The additional \$1,300,000 in borrowing during 2017 relates to the City's temporary financing of a large storm water infrastructure project primarily completed in 2017. The City has established their intent to issue bonds for this 2017 project sometime during 2018. Once such financing is completed, the Sewer Fund will repay the General Fund for the 2017 storm sewer project costs paid through December 31, 2017 and some additional costs to complete incurred in 2018. See discussion of this intent in Note 12, Other Commitments and Contingencies. The remaining \$1,000,000 balance due to the General Fund will continue to be carried between the funds. The final determination of an amortization period for this balance will be determined based on the outcome of various financing scenarios of the proposed new debt; the amortization term of the remaining \$1,000,000 due to the General Fund and the options available on the 2007 bond refunding issue.

Other 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, 2017**NOTE 8 INTERFUND BALANCES AND ACTIVITY (continued)**

Interfund transfers for the year ended December 31, 2017, 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>
<b>Primary Government</b>		
General Fund	\$ -	\$ (54,072)
Library	3,072	-
Capital Projects Funds		
Privately Financed	-	-
Capital Equipment and Improvement	-	-
Mining Effects	-	-
Enterprise Funds		
Sewer Operating and Maintenance	-	-
<b>Total Primary Government</b>	<b>\$ 3,072</b>	<b>\$ (54,072)</b>
<b>Component Units</b>		
Hibbing Economic Development Authority EDA		
General Fund	\$ 51,000	\$ (400,000)
Economic Development Special Revenue Fund	1,363,267	-
Tax Increment XII Debt Service Fund	-	(1,152)
Tax Increment XII Capital Project Fund	1,152	-
Family Resource Center	-	(963,267)
<b>Total Hibbing Economic Development Authority EDA - Component Unit</b>	<b>\$ 1,415,419</b>	<b>\$ (1,364,419)</b>
<b>Total Transfers</b>	<b>\$ 1,418,491</b>	<b>\$ (1,418,491)</b>

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

During 2016, the economic development loan for the Family Resource Center was repaid. During 2017, the City transferred the balance of this fund of \$963,267 to the Economic Development Revolving Loan Fund to fund new projects. The \$400,000 transfer from the HEDA General Fund to the HEDA Economic Development Revolving Loan Fund was made pursuant to approval of the HEDA Board to fund additional HEDA loans.

The \$51,000 transfer from the primary government to the EDA general fund was the residual of funds left in a community economic development fund.

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**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	\$ 7,090
Contracted professional services	29,042
Debt service	1,540,981
Capital projects	2,270,731
Police forfeiture fund	9,618
<b>Total Restricted Net Position</b>	<b>\$ 3,857,462</b>

At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	General Fund	Library Special Revenue Fund	Non-Major Governmental Fund	Total
<b>Nonspendable:</b>				
Prepaid items	\$ 29,042	\$ 7,090	\$ -	\$ 36,132
Total nonspendable	\$ 29,042	\$ 7,090	\$ -	\$ 36,132
<b>Restricted for:</b>				
Debt service	\$ -	\$ -	\$ 1,540,981	\$ 1,540,981
Capital equipment and improvements	-	-	2,270,731	2,270,731
Library operations	-	-	-	-
Gambling 10% contribution fund	-	-	-	-
Police forfeiture fund	9,618	-	-	9,618
Total restricted	\$ 9,618	\$ -	\$ 3,811,712	\$ 3,821,330
<b>Committed to:</b>				
Housing incentive	\$ -	\$ -	\$ 49,319	\$ 49,319
Small Cities development	-	-	25,310	25,310
Economic development	-	-	84,818	84,818
OPEB obligation	-	-	7,239,481	7,239,481
Memorial Building	-	-	259,613	259,613
Capital equipment and improvements	-	-	537,943	537,943
Total committed	\$ -	\$ -	\$ 8,196,484	\$ 8,196,484
<b>Assigned to:</b>				
2018 budget	\$ 8,678,025	\$ -	\$ -	\$ 8,678,025
Future capital projects funded from sale of assets	514,853	-	-	514,853
Workers' compensation premium adjustments	372,750	-	-	372,750
Other improvement projects	-	-	1,392,125	1,392,125
Total assigned	\$ 9,565,628	\$ -	\$ 1,392,125	\$ 10,957,753

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**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.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City does not have a deductible for its workers compensation insurance. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. For property and casualty coverage, the City has a \$1,000 deductible per occurrence with no annual maximum.

The City carries commercial insurance for all other risks of loss, including life, employee health and accident insurance.

There were no settlements in excess of insurance coverage in 2016 and 2015. In 2017, the City did have one settlement related to a contract dispute.

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 2017, 2016 and 2015.

**NOTE 11 TAX INCREMENT FINANCING DISTRICTS**

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

<u>Tax Increment Financing District</u>	<u>No. VII</u>	<u>No. VIII</u>	<u>No. XI</u>	<u>No. XII</u>
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:	\$ 3,911	\$ 472	\$ 525	\$ 14,338
Current net tax capacity:	\$ 47,641	\$ 8,958	\$ 17,814	\$ 55,676
Fiscal disparity deduction:	\$ -	\$ -	\$ 4,280	\$ -
Captured net tax capacity retained by Authority:	\$ 43,730	\$ 8,486	\$ 13,009	\$ 41,338
Total bonds issued				
Tax increment bonds	\$ 320,000	\$ -	\$ 165,000	\$ 830,000
Amount redeemed	(320,000)	-	(165,000)	-
Outstanding bonds at December 31, 2017	\$ -	\$ -	\$ -	\$ 830,000

**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 was for six years and provided for an annual fee of \$144,000 with an adjustment based upon increases in the cost of living index. The agreement also contained renewal provisions for two additional terms of two years each. Effective October 16, 2017, the contractor tendered his notice to terminate the agreement. Since such date, the recycling center operations are being handled by City staff.

## CITY OF HIBBING, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

## 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, which is April 2018, 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.

The City did not receive a put notice from the solar panel company and the City does not intend to exercise their call provision.

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, 2017, 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 twenty-two outstanding construction projects as of December 31, 2017. The projects are evidenced by contractual commitments with contractors and engineers and include:

<u>Project</u>	<u>Spent to Date</u>	<u>Commitments Remaining</u>
<b>General Fund</b>		
Highway 169 West Utility Project - PUC portion	\$ 415,976	\$ -
<b>Capital Projects Funds</b>		
<b>Permanent Improvement</b>		
Rafferty Concept Study, Memorial Bldg.	\$ 692,989.00	\$ 389,323.00
Roundabout South Leg	255,629	-
Mineview Project	237,142	18,028
Bennett Park Restroom	236,173	-
Beltline Signal Project	108,010	-
Raceway Ramp	18,815	-
Rainey Road Bridge	11,715	-
Howard Street Sidewalk	11,571	11,571
Carey Lake Shelter Project	9,437	-
1st Ave Sidewalk	7,714	7,714
City Clerk's Office Software	5,338	-
Dixon Road Bridge	4,388	-
Koivu Road Bridge	3,819	-
ARI Curling Roof Study	1,765	-
15th Street	-	228
4th Ave East	-	357
Aspen Knoll	-	463
12th Ave East	-	749

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

## CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

## NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES (continued)

8th Ave East	-	994
10th Ave East	-	1,103
Bennett Park IBEW Addition	-	1,236
Meadow Drive	-	1,405
6th Ave East	-	1,728
16th Ave East	-	3,992
28th Street	-	4,012
19th Ave East	-	4,609
Dillion Road	-	5,299
Tamminen Road	-	9,128
North Salmi Road	-	9,658
Herman Road	-	12,190
41st Street	-	14,859
Wegener Road	-	17,751
O-Rourke Road	-	20,158
<b>Total Capital Fund Project</b>	<u>\$ 1,604,505</u>	<u>\$ 536,555</u>
<b>Enterprise Fund</b>		
Sewer Operating and Maintenance Fund		
S94 Brooklyn Sewer Improvements	\$ 1,765,201	\$ 464,244
Phase 6 Sewer Improvements	246,306	-
Effluent Aeration System	29,655	-
SS Lining Project	-	24,189
Mercury Project (Additional)	-	62,510
<b>Total Sewer Operating and Maintenance Fund</b>	<u>\$ 2,041,162</u>	<u>\$ 550,943</u>
<b>Total All Funds</b>	<u>\$ 4,061,643</u>	<u>\$ 1,087,498</u>

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE 12 OTHER COMMITMENTS AND CONTINGENCIES (continued)**

**Highway 169 - Public Utilities Commission**

During 2016, the City completed portions of a utility and infrastructure project along US Highway 169, west of Hibbing. The sources of funding for the project included grants from the State of Minnesota and matching funds from the City and the Public Utilities Commission (PUC). The total PUC infrastructure amounts exceeded original estimates by \$415,976. At December 31, 2016, the City had the \$415,976 excess amount recorded as miscellaneous capital outlay in the City's general fund. In the 2016 government-wide financial statements, the City had the \$415,976 recorded as donation expense and a donation payable to the PUC component unit. During 2017, the City had planned to complete legal agreements regarding their donation toward the PUC's \$415,976 of additional costs. These legal agreements were not executed during 2017, but the City intends to have these agreements completed in 2018.

**Intent to Issue Bonds**

In October 2017, to meet the Internal Revenue requirements for tax exempt bonds to reimburse prior expenditures, the City passed a resolution of their official intent to use the bond proceeds for costs incurred to finance the construction of a significant storm sewer infrastructure project. The maximum principal amount of the bonds to be issued is \$2,000,000. The City plans to issue these bonds in 2018.

**NOTE 13 JOINT VENTURES**

**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 2017, 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 2017, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE 15 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 were 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/or eligible dependents, may continue to participate in the City's plan for medical and life insurance coverage. The bargaining unit contract provisions were modified to exclude any employees hired after January 1, 2007 to participate in the City's medical plan upon retirement, but continue to allow for the life insurance coverage. For those eligible employees and/or eligible dependents, 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 2017, 2016 and 2015, there were 233, 239 and 229, retirees and eligible dependents, respectively, that received postemployment benefits. The City provided required contributions of \$1,366,298, \$1,366,808 and \$1,339,660 for 2017, 2016 and 2015, respectively, toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees, and net of retiree contributions totaling \$234,975, \$236,553 and \$294,607 for 2017, 2016 and 2015, respectively. Required contributions are based on projected pay-as-you-go financing.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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, 2017, 2016 and 2015, respectively:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost (service cost for one year)	\$ 441,414	\$ 532,259	\$ 514,260
Amortization of unfunded actuarial accrued liability	<u>2,068,650</u>	<u>2,015,144</u>	<u>2,014,514</u>
Annual required contribution	2,510,064	2,547,403	2,528,774
Interest on net OPEB obligation	404,199	435,454	412,194
Adjustment to annual required contribution	<u>(848,579)</u>	<u>(792,556)</u>	<u>(728,452)</u>
Annual OPEB cost (expense)	2,065,684	2,190,301	2,212,516
Contribution toward the OPEB cost	<u>(1,366,298)</u>	<u>(1,366,808)</u>	<u>(1,339,660)</u>
Increase in net OPEB obligation	699,386	823,493	872,856
Net OPEB Obligation, Beginning of Year	<u>13,473,308</u>	<u>12,649,815</u>	<u>11,776,959</u>
Net OPEB Obligation, End of Year	<u>\$ 14,172,694</u>	<u>\$ 13,473,308</u>	<u>\$ 12,649,815</u>
Percentage of annual OPEB cost contributed	<u>66.1%</u>	<u>62.4%</u>	<u>60.5%</u>

**Funding Status and Funding Progress**

As of December 31, 2017, 2016 and 2015, respectively, the actuarial accrued liability for benefits was \$31,888,339, \$31,235,092 and \$31,186,332 and the actuarial value of assets was zero for all three years. The covered payroll (annual payroll of active participating employees) was \$4,489,796, \$4,666,361 and \$4,792,545 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 710.2, 669.4 and 650.7 percent for 2017, 2016 and 2015, respectively.



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (continued)**

**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, 2015, and the latest actuarial valuation was as of January 1, 2017. Both valuations used the projected unit credit cost actuarial cost method to estimate both the unfunded actuarial liability as of December 31, 2017, 2016 and 2015, and to estimate the City's 2017, 2016 and 2015 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, 2017 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, 2017, actuarial assumptions include an annual healthcare cost trend rate of 8.6% for 2017, 3.7% for 2018, 7.8% for 2019 and ranging from 5.4% to 4.0% for years 2020 to 2074. The unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at December 31, 2017, is 21 years.

**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 year ended December 31, 2017, the Commission expended approximately \$739,000 for benefits for approximately 53 retirees in 2017.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Component Unit - Hibbing Public Utilities Commission (continued)**

**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:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 1,936,862	\$ 2,280,072	\$ 2,256,395
Interest on net OPEB obligation	562,802	532,625	500,148
Adjustment to annual required contribution	<u>(1,078,926)</u>	<u>(990,539)</u>	<u>(903,957)</u>
Annual OPEB cost	1,420,738	1,822,158	1,852,586
Contribution during the year	<u>(739,000)</u>	<u>(893,642)</u>	<u>(853,271)</u>
Increase in net OPEB obligation	681,738	928,516	999,315
Net OPEB Obligation, Beginning of Year	<u>17,316,985</u>	<u>16,388,469</u>	<u>15,389,154</u>
Net OPEB Obligation, End of Year	<u><u>\$ 17,998,723</u></u>	<u><u>\$ 17,316,985</u></u>	<u><u>\$ 16,388,469</u></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:	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2017	\$ 1,420,738	\$ 739,000	52.0%	\$ 17,998,723
December 31, 2016	\$ 1,822,158	\$ 893,642	49.0%	\$ 17,316,985
December 31, 2015	\$ 1,852,586	\$ 853,271	46.1%	\$ 16,388,469

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Component Unit - Hibbing Public Utilities Commission (continued)**

**Funding Status and Funding Progress**

The actuarial accrued liability for benefits at January 1, 2017 (the date of the most recent valuation) was \$22,100,593. 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 \$5,533,470. The ratio of the unfunded actuarially accrued liabilities (UAAL) to covered payroll is 399.4 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 to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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, 2017, 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 12.0 percent initially, reduced incrementally to an ultimate rate of 4.0 percent. The unfunded actuarial accrued liability is being amortized at a level dollar amount over 22 years.

**NOTE 16 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 Chapter 322B. The Authority was created to supply 35 MW of new biomass fueled electricity to Northern States Power Company, an operating subsidiary of Excel Energy, as well as to supply steam to existing customers of the Hibbing and Virginia Public Utilities Commissions.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

**NOTE 16 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, 2017, the Commission has reported on its balance sheet an investment of \$20,241,108 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:

	2017
Current assets	\$ 6,911,514
Non-current restricted assets	\$ 11,281,490
Other assets	\$ 1,206,622
Capital assets	\$ 47,436,587
Total assets	\$ 66,836,213
Current liabilities	\$ 8,971,178
Non-current liabilities	\$ 17,601,860
Total liabilities	\$ 26,573,038
Net position	\$ 40,214,842
Total operating revenues	\$ 39,879,898
Operating expenses	\$ 32,844,415
Non-operating expenses	\$ 1,684,485
Change in net position	\$ 5,350,998

In 2017, the Authority and Xcel Energy have executed agreements intended to terminate the power purchase agreement that runs between them. The termination involves consideration pursuant to two agreements, a termination agreement and a grant agreement, working together to provide the consideration for the power purchase agreement. Both agreements were executed on July 14, 2017 and both agreements have contingencies, namely approvals of the Minnesota Public Utilities Commission (MPUC) and the North Dakota Public Service Commission (NDPSC). The MPUC approved the agreement and the appeal period closed on April 21, 2018. The NDPSC had approved the agreement and was going through the approval process for a second time to correct an error in noticing. A meeting regarding the NDPSC approval was conducted in June 2018. At the June 2018 meeting, NDPSC approved the termination agreement and there was no public opposition to the agreement. The Hibbing Public Utilities Commission ceased producing for the Authority on July 1, 2018.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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**NOTE 17    DEFINED BENEFIT PENSION - MULTIEMPLOYER PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Fund (GERF)**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**2. Public Employees Police and Fire Fund (PEPFF)**

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA. As noted at Note 18, the City's Volunteer Fire Department Relief Association continues to maintain a separate plan for its members.

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

**CITY OF HIBBING, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

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**NOTE 17    DEFINED BENEFIT PENSION PLANS (continued)**

**1. GERS Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate of a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**2. PEPFF Benefits**

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

**B. Contributions**

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

**1. GERS Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The City's contributions to the GERS for the year ended December 31, 2017 were \$347,061. The City's contributions were equal to the required contributions as set by state statute.

**2. PEPFF Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.2% of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the year ended December 31, 2017 were \$573,558. The City's contributions were equal to the required contributions as set by state statute.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 17 DEFINED BENEFIT PENSION PLANS (continued)

C. Pension Costs

1. GERS Pension Costs

At December 31, 2017, the City reported a liability of \$4,749,646 for its proportionate share of the GERS's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,724. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0744% which was an increase of 0.003% from its proportionate share measured as of June 30, 2016.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the City recognized pension expense of \$194,821 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$1,724 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 156,534	\$ 293,186
Changes in actuarial assumptions	751,448	476,153
Net difference between projected and actual earnings on pension plan investments	803,392	806,454
Changes in proportion (note differences between contributions and proportionate share of contributions expensed, not deferred)	213,137	110,097
Contributions subsequent to the measurement date (July 1, 2017 through December 31, 2017)	173,867	-
Total	<u>\$ 2,098,378</u>	<u>\$ 1,685,890</u>

The \$173,867 reported as deferred outflows of resources related to pensions resulted from City contributions to the General Employees Fund subsequent to the measurement date and they will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	\$ 177,573
2019	291,825
2020	(29,165)
2021	(201,612)
	<u>\$ 238,621</u>

## CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

## NOTE 17 DEFINED BENEFIT PENSION PLANS (continued)

## 2. PEPFF Pension Costs.

At December 31, 2017, the City reported a liability of \$4,779,424 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.354% which was an increase of 0.011% of its proportion measured as of June 30, 2016. The City also recognized \$31,860 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in 2014.

There were no provision changes during the measurement period.

For the year ended December 31, 2017, the City recognized a reduction of pension expense of \$(614,388) for its proportionate share of the PEPFF's pension expense.

At December 31, 2017, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 110,013	\$ 1,256,817
Changes in actuarial assumptions	6,060,467	6,785,592
Net difference between projected and actual investment earnings on pension plan investments	1,549,886	1,516,582
Changes in proportion (note differences between contributions and proportionate share of contributions expensed, not deferred)	367,874	188,176
City contributions subsequent to the measurement date (July 1, 2017 through December 31, 2017)	290,583	-
Total	<u>\$ 8,378,823</u>	<u>\$ 9,747,167</u>

A total of \$290,583 reported as deferred outflows of resources related to pensions resulting from City contributions to the Police and Fire Pension Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	\$ 51,086
2019	51,086
2020	(127,087)
2021	(372,465)
2022	(1,261,547)
	<u>\$ (1,658,927)</u>



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 17 DEFINED BENEFIT PENSION PLANS (continued)

**D. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP-2014 tables for all plans for males and females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans. Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

**General Employees Fund**

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**Police and Fire Fund**

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.

**CITY OF HIBBING, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 17    DEFINED BENEFIT PENSION PLANS (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stock	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	<u>100%</u>	

**E. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**F. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>	
1% Higher	6.50%	\$ 7,367,055	6.50%	\$ 9,001,045
Current Discount Rate	7.50%	\$ 4,749,647	7.50%	\$ 4,779,421
1% Lower	8.50%	\$ 2,606,823	8.50%	\$ 1,294,238

**G. Pension Plan Fiduciary Net Position**

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

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 18 DEFINED BENEFIT PENSION - SINGLE EMPLOYER PLAN

**Plan Description**

The City of Hibbing's Volunteer Fire Department Relief Association defined benefit plan (HVRA), provides pensions for Hibbing's active duty volunteer fire department members, pro-rated monthly for fractional years of service (service does not need to be continuous). The HVRA is a single-employer defined benefit pension plan administered by the Hibbing Fire Relief Association. The plan is administered pursuant to a special law that was passed in conjunction with the annexation of the Township of Stuntz 1980 CH 607 Sec. 13. and the Association's by-laws.

Benefits provided: HVRA members are 40% vested upon completion of 5 years of service. The vesting percentage increases by 4% for each complete year of service above 5 years until the member is 100% vested with 20 years of service. The members receive a lump sum of \$1,200 per year of service and are eligible for the normal retirement benefit upon attainment of age 50 and completion of 20 years of service. They must also be a member of the Association for at least five consecutive years immediately prior to retirement. For the deferred vested benefit, the member on termination (after completion of at least 5 years of service) will receive a lump sum of \$1,200 per year of service, subject to the vesting schedule, payable at age 50. Benefit increases 5% per year, compounded annually, during the time that a member is deferred. Additionally, there are provisions for a \$1,200 lump sum amount for years of service in the event of death-in-service or disability without regard to minimum eligibility or vesting requirements.

Employees covered by benefit terms

At December 31, 2017, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	3
Active employees	17
Total	20

Contributions

The City of Hibbing contributes 15.25% of all state fire aid that Hibbing receives pursuant to Minn. Stat §69.021 to 69.031 and any required municipal contribution per Minnesota Statute 424A.02.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Investment rate of return	5.0 percent, net of pension plan investment expense

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

## NOTE 18 DEFINED BENEFIT PENSION - SINGLE EMPLOYER PLAN (continued)

Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	53%	7.60%
International equities	17%	5.20%
Fixed income	25%	1.15%
Cash equivalents	5%	0.25%
<b>Total</b>	<b>100%</b>	

Discount rate

The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Asset (b) - (a)</u>
<b>Balances at 12/31/16</b>	<b>\$ 125,811</b>	<b>\$ 245,923</b>	<b>\$ 120,112</b>
<b>Changes for the year:</b>			
Service cost	11,412	-	(11,412)
Interest	6,699	-	(6,699)
Differences between expected and actual experience	(4,341)	-	4,341
Assumption changes	12	-	(12)
Contributions - State of Minnesota	-	24,280	24,280
Net investment income (loss)	-	14,938	14,938
Benefit payments	(6,490)	(6,490)	-
Administrative expense	-	(6,141)	(6,141)
<b>Net changes</b>	<b>7,292</b>	<b>26,587</b>	<b>19,295</b>
<b>Balances at 12/31/17</b>	<b>\$ 133,103</b>	<b>\$ 272,510</b>	<b>\$ 139,407</b>

## CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

## NOTE 18 DEFINED BENEFIT PENSION - SINGLE EMPLOYER PLAN (continued)

Sensitivity of the net pension liability to changes in discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 5 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4 percent) or 1-percentage-point higher (6 percent) than the current rate:

	1% Decrease (4%)	Current Discount (5%)	1% Increase (6%)
Total Pension Liability	\$ 138,667	\$ 133,103	\$ 127,911
Net Position Restricted for Pensions	\$ 272,510	\$ 272,510	\$ 272,510
Net Pension Liability / Asset	\$ (133,843)	\$ (139,407)	\$ (144,599)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately filed Financial and Investment Reporting Entry filed with the Minnesota Office of the State Auditor.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2017, the City recognized net pension expenses of \$30,792. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,534	\$ 3,859
Changes of assumptions	10	-
Net difference between projected and actual earnings on pension plan investments	16,013	1,881
Total	<u>\$ 106,557</u>	<u>\$ 5,740</u>

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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**NOTE 18    DEFINED BENEFIT PENSION - SINGLE EMPLOYER PLAN (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$	19,132
2019		19,132
2020		13,695
2021		11,981
2022		12,453
Thereafter		<u>24,424</u>
Total	\$	<u>100,817</u>

**Payable to the Pension Plan**

At December 31, 2017, the City had a check outstanding with the HVRA for \$24,359. The source of these funds for the City came from the 2017 State of Minnesota Fire Aid and 100% of the State Supplemental Fire Aid.

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 19 DEFINED CONTRIBUTION PLAN

Two 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 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 2017 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employee	Employer	
\$ 1,186	\$ 1,186	5.00%	5.00%	5.00%

CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 20 TAX ABATEMENTS

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the City qualifies for tax abatement. The City negotiates tax abatement agreements on an individual basis generally with the purpose of adding or retaining employment and, or increasing the tax capacity of the parcel.

The City has tax abatement agreements with three entities as of December 31, 2017:

Purpose	Percentage of City Taxes Abated during 2017	Amount of Taxes Abated during 2017
Joint economic development authority to fund efforts of the EDA'S future job creation efforts	100%	\$ 32,133
Provide incentive for real estate development company to complete residential development project	100%	8,499
Provide incentive for real estate development company to complete residential development project	100%	8,784
		<u>\$ 49,416</u>

In addition to the abatements disclosed above, the City passed a resolution in November 2017 agreeing to provide a tax abatement to an existing commercial business. The resolution specified that the abatement would be subject to terms finalized in a separate tax abatement agreement. In June 2018, the City finalized the tax abatement agreement. Under the terms of the agreement, the City will abate 50% of its share of taxes on the increased portion of the property taxes over the 2018 base tax capacity. St. Louis County has agreed to abate 39% of its share of the increased value. Both the City and County's abatement amounts over the ten year periods have specified maximum amounts. The abatement period will begin with taxes payable in 2020 and continue through taxes payable in 2029.

The business will remit all assessed taxes payable. Twice a year, the business will invoice the City for their calculated abatement amounts (50% of the City's and 39% of the County's share of taxes paid for the prior six months on the increased assessed value). The City believes this tax abatement agreement will result in retention and creation of new employment opportunities, increase tax base in the City and modernize commercial building facilities available in the City.



CITY OF HIBBING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

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NOTE 21 SUBSEQUENT EVENTS

City Subsequent Events

The City has evaluated subsequent events through July 18, 2018, 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, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,260,341	\$ 6,260,341	\$ 6,291,664	\$ 31,323
Licenses and permits	85,760	85,760	115,790	30,030
Intergovernmental	8,665,537	8,745,537	8,901,248	155,711
Charges for services	2,198,640	1,999,640	1,923,262	(76,378)
Fines	85,174	85,174	89,645	4,471
Gifts and contributions	40	40	894	854
Investment income (loss)	15,000	135,000	123,560	(11,440)
Miscellaneous	61,925	61,925	38,987	(22,938)
<b>TOTAL REVENUES</b>	<b>17,372,417</b>	<b>17,373,417</b>	<b>17,485,050</b>	<b>111,633</b>
<b>EXPENDITURES</b>				
Current				
General government	1,889,494	1,889,494	1,854,633	34,861
Public safety	7,146,893	7,085,880	6,496,512	589,368
Public works	3,244,679	3,169,679	2,976,307	193,372
Culture and recreation	2,077,405	2,077,405	2,088,891	(11,486)
Economic development	71,800	20,800	19,898	902
Transportation	334,988	334,988	359,368	(24,380)
Miscellaneous	2,603,033	2,603,034	2,296,937	306,097
Debt Service				
Principal	29,427	29,427	29,427	-
Interest and other charges	11,586	11,586	11,586	-
Capital Outlay				
Transportation	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>17,409,305</b>	<b>17,222,293</b>	<b>16,133,559</b>	<b>1,088,734</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(36,888)</b>	<b>151,124</b>	<b>1,351,491</b>	<b>1,200,367</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(3,072)	(54,072)	(54,072)	-
Sale of capital assets	-	-	701	701
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,072)</b>	<b>(54,072)</b>	<b>(53,371)</b>	<b>701</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(39,960)</b>	<b>97,052</b>	<b>1,298,120</b>	<b>1,201,068</b>
<b>FUND BALANCES - JANUARY 1</b>	<b>16,068,746</b>	<b>16,068,746</b>	<b>16,068,746</b>	<b>-</b>
<b>FUND BALANCES - DECEMBER 31</b>	<b>\$ 16,028,786</b>	<b>\$ 16,165,798</b>	<b>\$ 17,366,866</b>	<b>\$ 1,201,068</b>

## CITY OF HIBBING, MINNESOTA

## LIBRARY SPECIAL REVENUE FUND

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended December 31, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Taxes	\$ 586,043	\$ 586,043	\$ 585,693	\$ (350)
Intergovernmental	-	-	350	350
Charges for services	10,550	10,550	12,422	1,872
Gifts and contributions	10,623	10,623	18,793	8,170
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUE</b>	<u>607,216</u>	<u>607,216</u>	<u>617,258</u>	<u>10,042</u>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	<u>601,231</u>	<u>601,231</u>	<u>670,538</u>	<u>(69,307)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,985</u>	<u>5,985</u>	<u>(53,280)</u>	<u>(59,265)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,072	3,072	3,072	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,072</u>	<u>3,072</u>	<u>3,072</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>9,057</u>	<u>9,057</u>	<u>(50,208)</u>	<u>(59,265)</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>10,079</u>	<u>10,079</u>	<u>10,079</u>	<u>-</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 19,136</u>	<u>\$ 19,136</u>	<u>\$ (40,129)</u>	<u>\$ (59,265)</u>

**CITY OF HIBBING, MINNESOTA**

**NOTES TO RSI - BUDGET AND ACTUAL INFORMATION**

December 31, 2017

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**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**

General Fund transportation expenditures did exceed budget by \$24,380 due to a change in the City transit dispatch method which necessitated a modification to the third party operator contract. Additionally culture and recreation had a small overrun due to some unexpected costs. Otherwise, General Fund expenditures did not exceed appropriations. The Library Special Revenue Fund did exceed appropriations by \$69,307 for the year ended December 31, 2017 primarily due to payments on retiree health insurance.

CITY OF HIBBING, MINNESOTA

INFRASTRUCTURE CONDITION DATA

Year ended December 31, 2017

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**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 summer 2017. 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, 2017

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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, 2017, the City's gravel roads all rated at a Level 3.

The City expended \$332,000 on gravel road maintenance for the year ended December 31, 2017. This amount in 2017 included 20 culvert changes, 10 road lifts, and 27 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 2019 is a minimum of \$1,055,000 (\$351,667 projected budget each year for the years ending December 31, 2018 and 2019).

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, 2013, 2014, 2015, 2016, and 2017 is presented below:

<u>Year</u>	<u>Estimated Annual Expenditures</u>	<u>Actual Expenditures</u>	<u>Funded by General Fund</u>
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
2014	\$ 306,000	\$ 324,888	\$ 324,888
2015	\$ 317,445	\$ 305,000	\$ 305,000
2016	\$ 356,000	\$ 328,000	\$ 328,000
2017	\$ 341,000	\$ 332,000	\$ 332,000

## CITY OF HIBBING, MINNESOTA

## SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS

Year ended December 31, 2017

**Other Postemployment Benefits****Primary Government**

Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2017	1/1/2017	\$ -	\$ 31,888,339	\$ 31,888,339	0.0%	\$ 4,489,796	710.2%
12/31/2016	1/1/2015	\$ -	\$ 31,235,092	\$ 31,235,092	0.0%	\$ 4,666,361	669.4%
12/31/2015	1/1/2015	\$ -	\$ 31,186,332	\$ 31,186,332	0.0%	\$ 4,792,545	650.7%
12/31/2014	1/1/2013	\$ -	\$ 30,818,896	\$ 30,818,896	0.0%	\$ 4,501,484	684.6%
12/31/2013	1/1/2013	\$ -	\$ 30,761,648	\$ 30,761,648	0.0%	\$ 4,315,060	712.9%
12/31/2012	1/1/2011	\$ -	\$ 34,926,227	\$ 34,926,227	0.0%	\$ 4,133,463	845.0%
12/31/2011	1/1/2011	\$ -	\$ 34,267,574	\$ 34,267,574	0.0%	\$ 4,026,197	851.1%
12/31/2010	1/1/2009	\$ -	\$ 39,707,119	\$ 39,707,119	0.0%	\$ 3,920,954	1,012.7%
12/31/2009	1/1/2009	\$ -	\$ 40,368,826	\$ 40,368,826	0.0%	\$ 3,924,426	1,028.7%
12/31/2008	1/1/2007	\$ -	\$ 42,567,876	\$ 42,567,876	0.0%	\$ 3,802,909	1,119.4%

**Component Unit - Hibbing Public Utilities Commission**

Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2017	1/1/2017	\$ -	\$ 22,100,593	\$ 22,100,593	0.0%	\$ 5,533,470	399.4%
12/31/2016	1/1/2014	\$ -	\$ 25,878,606	\$ 25,878,606	0.0%	\$ 5,771,466	448.4%
12/31/2015	1/1/2014	\$ -	\$ 25,878,606	\$ 25,878,606	0.0%	\$ 5,800,121	446.2%
12/31/2014	1/1/2014	\$ -	\$ 25,878,606	\$ 25,878,606	0.0%	\$ 5,720,524	452.4%
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	661.5%
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%



## CITY OF HIBBING, MINNESOTA

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - MN PERA PLANS

December 31, 2017

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share Amount of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City/PUC	Total	Employer's Covered-Employee Payroll (b)	Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>Primary Government</b>							
<b>GERF</b>							
June 30, 2017	0.0744%	\$ 4,749,646	\$ 59,683	\$ 4,809,329	\$ 4,801,051	98.93%	75.90%
June 30, 2016	0.0709%	\$ 5,756,730	\$ 75,263	\$ 5,831,993	\$ 4,409,847	130.54%	68.91%
June 30, 2015	0.0732%	\$ 3,793,604	\$ -	\$ 3,793,604	\$ 4,336,769	87.48%	78.19%
<b>PEPFF</b>							
June 30, 2017	0.354%	\$ 4,779,424	\$ -	\$ 4,779,424	\$ 3,632,428	131.58%	85.43%
June 30, 2016	0.343%	\$ 13,765,187	\$ -	\$ 13,765,187	\$ 3,303,882	416.64%	63.88%
June 30, 2015	0.36%	\$ 4,090,442	\$ -	\$ 4,090,442	\$ 3,292,226	124.25%	86.61%
<b>Component Unit - Hibbing Public Utilities Commission</b>							
<b>GERF</b>							
June 30, 2017	0.0855%	\$ 5,458,264	\$ 68,646	\$ 5,526,910	\$ 5,515,110	99%	75.90%
June 30, 2016	0.0907%	\$ 7,364,392	\$ 96,093	\$ 7,460,485	\$ 5,425,759	136%	68.91%
June 30, 2015	0.0939%	\$ 4,866,386	\$ -	\$ 4,866,386	\$ 5,519,343	88%	78.19%

**CITY OF HIBBING, MINNESOTA**  
**SCHEDULE OF CONTRIBUTIONS - MN PERA PLANS**

December 31, 2017

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contributions (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
<b>Primary Government</b>					
GERF					
Dec. 31, 2017	\$ 347,061	\$ 347,061	\$ -	\$ 4,628,766	7.5%
Dec. 31, 2016	\$ 337,181	\$ 337,181	\$ -	\$ 4,495,896	7.5%
Dec. 31, 2015	\$ 341,433	\$ 341,433	\$ -	\$ 4,552,432	7.5%
PEPFF					
Dec. 31, 2017	\$ 573,558	\$ 573,558	\$ -	\$ 3,540,483	16.2%
Dec. 31, 2016	\$ 552,264	\$ 552,264	\$ -	\$ 3,409,030	16.2%
Dec. 31, 2015	\$ 558,305	\$ 558,305	\$ -	\$ 3,446,325	16.2%
DCP					
Dec. 31 2017	\$ 1,186	\$ 1,186	\$ -	\$ 23,725	5.0%
Dec. 31 2016	\$ 838	\$ 838	\$ -	\$ 16,761	5.0%
Dec. 31, 2015	\$ 866	\$ 866	\$ -	\$ 17,314	5.0%
<b>Component Unit - Hibbing Public Utilities Commission</b>					
GERF					
Dec. 31 2017	\$ 410,463	\$ 410,463	\$ -	\$ 5,457,721	7.5%
Dec. 31 2016	\$ 415,642	\$ 415,642	\$ -	\$ 5,541,887	7.5%
Dec. 31, 2015	\$ 420,637	\$ 420,637	\$ -	\$ 5,608,485	7.5%

## CITY OF HIBBING, MINNESOTA

**HIBBING VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION PLAN**  
**SCHEDULE OF CHANGES OF NET PENSION LIABILITY AND RELATED RATIOS - SINGLE EMPLOYER PLAN**

December 31, 2017

	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$ 11,412	\$ 11,079	\$ 10,552
Interest	6,699	6,418	6,433
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,341)	116,400	-
Changes of assumptions	12	-	-
Benefit payments	(6,490)	(135,968)	(15,729)
<b>Net change in total pension liability</b>	<b>7,292</b>	<b>(2,071)</b>	<b>1,256</b>
<b>Total pension liability - beginning</b>	<b>125,811</b>	<b>127,882</b>	<b>126,626</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 133,103</b>	<b>\$ 125,811</b>	<b>\$ 127,882</b>
<b>Plan fiduciary net position</b>			
Contributions - City of Hibbing	\$ 24,280	\$ 28,587	\$ 12,484
Net investment income (loss)	14,938	5,008	(10,853)
Benefit payments	(6,490)	(135,968)	(15,729)
Administrative expense	(6,141)	(4,015)	(2,946)
Other	-	38,769	-
<b>Net change in plan fiduciary net position</b>	<b>26,587</b>	<b>(67,619)</b>	<b>(17,044)</b>
<b>Plan fiduciary net position - beginning</b>	<b>245,923</b>	<b>313,542</b>	<b>330,586</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 272,510</b>	<b>\$ 245,923</b>	<b>\$ 313,542</b>
<b>City's net pension asset - ending (a) - (b)</b>	<b>\$ (139,407)</b>	<b>\$ (120,112)</b>	<b>\$ (185,660)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	204.74%	195.47%	245.18%
<b>Covered employee payroll</b>	N/A	N/A	N/A
<b>City's net pension liability as a percentage of covered employee payroll</b>	N/A	N/A	N/A

**CITY OF HIBBING, MINNESOTA**

**HIBBING VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION PLAN  
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES - SINGLE EMPLOYER PLAN**

December 31, 2017

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of the Covered- Employee Payroll</u>
HVRA					
Dec. 31, 2017	*	\$ 24,280	N/A	N/A	N/A
Dec. 31, 2016	*	\$ 28,587	N/A	N/A	N/A
Dec. 31, 2015	*	\$ 12,484	N/A	N/A	N/A

**Notes to Schedule of Contributions**

Valuation Date: Actuarially determined contribution rates are calculated by the Relief Association according to the requirements in MN Statutes 424A.092 as of January 1, and apply to the following calendar year.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	10 years
Asset Valuation Method	Market Value
Inflation	No explicit price inflation assumption is used in this valuation.
Expenses	Prior year expenses increased by 3.5% and are included in the actuarially determined contribution rate.
Salary Increases	N/A
Investment Rate of Return	5%
Retirement Age	Active firefighters are assumed to retire at 20 years of service.
Mortality	No explicit mortality assumption is used in the contribution determination.

\* Calculated by the Relief Association in accordance with Minnesota Statutes 424A.092.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF HIBBING, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2017

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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 2013A G.O. Bonds Debt Service Fund is used to account for the accumulation of resources for, and the payment of long term debt principal, interest, and related costs.

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 Raceway Capital Projects Fund is used to account for financial resources and expenditures related to the Racetrack.

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, 2017

	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
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,319	\$ 25,310	\$ 84,818	\$ 7,234,396
Taxes receivable	-	-	-	5,085
Special assessments receivable	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Loans receivable	-	46,131	-	-
Prepaid items and other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 49,319</u>	<u>\$ 71,441</u>	<u>\$ 84,818</u>	<u>\$ 7,239,481</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Contracts payable	-	-	-	-
Unearned revenue	-	-	-	-
Accrued debt service	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments	-	-	-	-
Loans receivable	-	46,131	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>46,131</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	49,319	25,310	84,818	7,239,481
Assigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>49,319</u>	<u>25,310</u>	<u>84,818</u>	<u>7,239,481</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 49,319</u>	<u>\$ 71,441</u>	<u>\$ 84,818</u>	<u>\$ 7,239,481</u>

2002 G.O. Refunding Bonds Debt Service Fund	2013A G.O. Bond 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
\$ 357,631	\$ 477,185	\$ 1,446,005	\$ 49,150	\$ 255,363	\$ 2,315,821
-	-	2,294	459	-	15,147
-	-	-	154,983	-	-
-	-	-	-	4,250	612
-	-	166,551	577	-	8,467
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 357,631</u>	<u>\$ 477,185</u>	<u>\$ 1,614,850</u>	<u>\$ 205,169</u>	<u>\$ 259,613</u>	<u>\$ 2,340,047</u>

\$ -	\$ 300	\$ 5,600	\$ -	\$ -	\$ 560
-	-	-	25,738	-	-
-	-	130,018	-	-	409,765
-	-	295,979	-	-	-
-	208,606	-	-	-	-
-	<u>208,906</u>	<u>431,597</u>	<u>25,738</u>	-	<u>410,325</u>
-	-	-	154,983	-	-
-	-	-	-	-	-
-	-	-	154,983	-	-
-	-	-	-	-	-
357,631	268,279	1,183,253	24,448	-	1,003,300
-	-	-	-	259,613	537,943
-	-	-	-	-	388,479
<u>357,631</u>	<u>268,279</u>	<u>1,183,253</u>	<u>24,448</u>	<u>259,613</u>	<u>1,929,722</u>
<u>\$ 357,631</u>	<u>\$ 477,185</u>	<u>\$ 1,614,850</u>	<u>\$ 205,169</u>	<u>\$ 259,613</u>	<u>\$ 2,340,047</u>



**CITY OF HIBBING, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
December 31, 2017

	Mining Effects Capital Projects Fund	Raceway Capital Projects Fund	MDI Maintenance Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,944,912	\$ 221,503	\$ 21,302	\$ 14,482,715
Taxes receivable	-	-	-	22,985
Special assessments receivable	-	-	-	154,983
Accounts receivable	-	3,000	-	7,862
Due from other governments	-	-	-	175,595
Loans receivable	-	-	-	46,131
Prepaid items and other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,944,912</u>	<u>\$ 224,503</u>	<u>\$ 21,302</u>	<u>\$ 14,890,271</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,460
Due to other governments	-	-	-	25,738
Contracts payable	-	-	-	539,783
Unearned revenue	-	212,270	-	508,249
Accrued debt service	-	-	-	208,606
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>212,270</u>	<u>-</u>	<u>1,288,836</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Special assessments	-	-	-	154,983
Loans receivable	-	-	-	46,131
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,114</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	974,801	-	-	3,811,712
Committed	-	-	-	8,196,484
Assigned	970,111	12,233	21,302	1,392,125
<b>TOTAL FUND BALANCES</b>	<u>1,944,912</u>	<u>12,233</u>	<u>21,302</u>	<u>13,400,321</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,944,912</u>	<u>\$ 224,503</u>	<u>\$ 21,302</u>	<u>\$ 14,890,271</u>

## CITY OF HIBBING, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended December 31, 2017

	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
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 443,034
Special assessments	-	-	-	-
Intergovernmental	-	-	-	264
Charges for services	-	-	-	-
Gifts and contributions	-	-	-	-
Interest	465	239	4	51,646
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 465</b>	<b>\$ 239</b>	<b>\$ 4</b>	<b>\$ 494,944</b>
<b>EXPENDITURES</b>				
Current	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>465</b>	<b>239</b>	<b>4</b>	<b>494,944</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change In Fund Balances</b>	<b>465</b>	<b>239</b>	<b>4</b>	<b>494,944</b>
<b>FUND BALANCE - JANUARY 1</b>	<b>48,854</b>	<b>25,071</b>	<b>84,814</b>	<b>6,744,537</b>
<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 49,319</b>	<b>\$ 25,310</b>	<b>\$ 84,818</b>	<b>\$ 7,239,481</b>

2002 G.O. Refunding Bonds Debt Service Fund	2013A G.O. Bond 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
\$ -	\$ -	\$ 199,881	\$ -	\$ -	\$ 1,319,659
-	-	-	27,881	-	-
-	242,213	1,844,364	-	-	21,542
-	-	-	-	17,239	-
-	-	-	-	-	307,952
-	-	14,807	57	2,345	19,446
-	-	-	-	-	19,500
<u>\$ -</u>	<u>\$ 242,213</u>	<u>\$ 2,059,052</u>	<u>\$ 27,938</u>	<u>\$ 19,584</u>	<u>\$ 1,688,099</u>
-	-	-	-	-	-
-	175,000	-	-	-	475,000
-	67,913	-	-	-	26,717
-	-	2,698,857	5,671	3,348	1,903,555
-	242,913	2,698,857	5,671	3,348	2,405,272
-	(700)	(639,805)	22,267	16,236	(717,173)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	13,348
-	-	-	-	-	13,348
-	(700)	(639,805)	22,267	16,236	(703,825)
357,631	268,979	1,823,058	2,181	243,377	2,633,547
<u>\$ 357,631</u>	<u>\$ 268,279</u>	<u>\$ 1,183,253</u>	<u>\$ 24,448</u>	<u>\$ 259,613</u>	<u>\$ 1,929,722</u>

## CITY OF HIBBING, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
Year Ended December 31, 2016

	<b>Mining Effects Capital Projects Fund</b>	<b>Raceway Capital Projects Fund</b>	<b>MDI Maintenance Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 225,988	\$ -	\$ -	\$ 2,188,562
Special assessments	-	-	-	27,881
Intergovernmental	-	15,347	-	2,123,730
Charges for services	-	12,000	-	29,239
Gifts and contributions	-	-	-	307,952
Interest	-	2,131	201	91,341
Miscellaneous	-	-	-	19,500
<b>TOTAL REVENUES</b>	<u>\$ 225,988</u>	<u>\$ 29,478</u>	<u>\$ 201</u>	<u>\$ 4,788,205</u>
<b>EXPENDITURES</b>				
Current	-	10,492	-	10,492
Debt service				
Principal	-	-	-	650,000
Interest and other charges	-	-	-	94,630
Capital Outlay	-	18,986	-	4,630,417
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>29,478</u>	<u>-</u>	<u>5,385,539</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>225,988</u>	<u>-</u>	<u>201</u>	<u>(597,334)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	13,348
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,348</u>
<b>Net Change In Fund Balances</b>	225,988	-	201	(583,986)
<b>FUND BALANCE - JANUARY 1</b>	1,718,924	12,233	21,101	13,984,307
<b>FUND BALANCE - DECEMBER 31</b>	<u>\$ 1,944,912</u>	<u>\$ 12,233</u>	<u>\$ 21,302</u>	<u>\$ 13,400,321</u>

## CITY OF HIBBING, MINNESOTA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2017

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**REVENUES****Taxes**

General property	\$ 3,011,847
Taconite	
Production	445,243
Homestead credit	501,314
Municipal aid	1,404,086
School replacement aid	-
Franchise	130,758
Other	798,416
<b>Total Taxes</b>	<u>6,291,664</u>

**Licenses and Permits**

	<u>115,790</u>
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**Intergovernmental**

Federal grants	
Federal Transportation grant	100,889
Bulletproof Vest grant	4,632
FEMA State Home and Security Program	-
Fire SAFER grant	9,460
State grants	
Market value credit	2,550
Local government aid	8,101,987
Police aid	215,531
Police disability benefit	17,646
Firemen's aid	76,692
State transportation grant	178,975
PERA rate increase aid	24,366
Petro tank reimbursement	8,394
IRRRB	58,410
Other	76,767
County grants	
Ambulance	-
Local grants	
Police liaison grant	24,494
Fire department grants	455
<b>Total Intergovernmental</b>	<u>8,901,248</u>

**Charges for Services**

General government	
Bus transportation	53,205
Miscellaneous	11,841
Public safety	
Ambulance calls	1,535,077
Fire protection contracts	745
Other	9,516
Highways and streets	
Miscellaneous	1,200
Culture and recreation	
Rent	134,666
Other	107,263
Cemetery	69,749
<b>Total Charges for Services</b>	<u>1,923,262</u>

## CITY OF HIBBING, MINNESOTA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2017

**REVENUES (continued)****Fines**

Court fines	\$ 83,286
Police forfeitures	5,134
Administrative fines	1,225
<b>Total Fines</b>	<u>89,645</u>

**Gifts and Contributions**

894

**Investment Income (Loss)**

Interest on investments	148,795
Increase (decrease) in fair value of investments	(25,235)
<b>Total Investment Income (Loss)</b>	<u>123,560</u>

**Miscellaneous**

Insurance recoveries	500
Insurance dividends	32,829
Other	5,658
<b>Total Miscellaneous</b>	<u>38,987</u>

**TOTAL REVENUES**17,485,050**EXPENDITURES****Current****General Government**

Mayor and council	280,480
Elections	5,062
City administration	208,182
City clerk	551,332
City hall	92,773
Accounting	67,650
Data processing	95,817
Legal	118,037
Personnel administration	120,882
Zoning and housing	246,165
Assessor	68,253

**Total General Government**1,854,633**Public Safety**

Police	3,268,501
Animal Shelter	79,957
Fire	1,888,864
Paid on-call fire	137,780
Ambulance	1,115,152
Civil defense	6,258

**Total Public Safety**6,496,512**Public Works**

Highways and streets	
Streets and alleys	2,008,793
Engineering	367,585
Garage	545,415
Street lighting	54,514

**Total Public Works**2,976,307

## CITY OF HIBBING, MINNESOTA

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended December 31, 2017

**EXPENDITURES (continued)****Current****Culture and Recreation**

Recreation	\$ 45,545
Memorial building	335,334
Municipal golf course	46,095
Parks	149,049
City Services	1,512,868

<b>Total Culture and Recreation</b>	2,088,891
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**Economic Development**

Administration	19,898
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<b>Total Economic Development</b>	19,898
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**Transportation**

Bus	359,368
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<b>Total Transportation</b>	359,368
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**Miscellaneous**

Cemetery	233,491
Public access	108,942
Insurance	1,858,180
Donations and contributions	29,136
Other	67,188

<b>Total Miscellaneous</b>	2,296,937
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**Debt Service**

Principal	29,427
Interest and agent fees	11,586

<b>Total Debt Service</b>	41,013
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**Capital Outlay**

Transportation	-
Miscellaneous	-

<b>Total Capital Outlay</b>	-
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<b>TOTAL EXPENDITURES</b>	16,133,559
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**EXCESS (DEFICIENCY) OF REVENUES  
OVER EXPENDITURES**

	1,351,491
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**OTHER FINANCING SOURCES (USES)**

Transfers out	(54,072)
Sale of capital assets	701

<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(53,371)
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<b>NET CHANGE IN FUND BALANCE</b>	1,298,120
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<b>FUND BALANCE - JANUARY 1</b>	16,068,746
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<b>FUND BALANCE - DECEMBER 31</b>	\$ 17,366,866
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## CITY OF HIBBING, MINNESOTA

## LIBRARY SPECIAL REVENUE FUND

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2017

**REVENUES****Taxes**

General property	\$ 414,218
Taconite homestead credit	68,782
Other	102,693
<b>Total Taxes</b>	<u>585,693</u>

**Intergovernmental**

State grants	
Market value credit	350

**Charges for Services**12,422**Gifts and Contributions**18,793**Interest**-**Miscellaneous**-**TOTAL REVENUES**617,258**EXPENDITURES****Current****Culture and Recreation****Library**

Personal services	433,955
Supplies	82,103
Other services and charges	82,995
Retiree health insurance premiums	71,311
Other	174

**TOTAL EXPENDITURES**670,538**EXCESS (DEFICIENCY) OF REVENUES  
OVER EXPENDITURES**

(53,280)

**OTHER FINANCING SOURCES (USES)**

Transfer in	3,072
Transfer out	-

**TOTAL OTHER FINANCING SOURCES (USES)**3,072**NET CHANGE IN FUND BALANCES**

(50,208)

**FUND BALANCE - JANUARY 1**10,079**FUND BALANCE - DECEMBER 31**\$ (40,129)



**CITY OF HIBBING, MINNESOTA**

**HOUSING INCENTIVE SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended December 31, 2017

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**REVENUES**

Interest	\$	465
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**EXPENDITURES**

-

**NET CHANGE IN FUND BALANCE**

465

**FUND BALANCE - JANUARY 1**

48,854

**FUND BALANCE - DECEMBER 31**

\$ 49,319

CITY OF HIBBING, MINNESOTA

SMALL CITIES DEVELOPMENT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2017

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REVENUES

Interest	\$	239
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EXPENDITURES

-

NET CHANGE IN FUND BALANCE

239

FUND BALANCE - JANUARY 1

25,071

FUND BALANCE - DECEMBER 31

\$ 25,310

**CITY OF HIBBING, MINNESOTA**

**MINNESOTA INVESTMENT REVOLVING LOANS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended December 31, 2017**

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**REVENUES**

<b>Interest</b>	\$ 4
<b>Miscellaneous</b>	
Principal on loans repayments	-
Interest on loans repayments	-
<b>Total Miscellaneous</b>	-
<b>TOTAL REVENUE</b>	<u>4</u>

**EXPENDITURES**

<b>Current</b>	
Economic Development	-
<b>Miscellaneous</b>	
Repayments to DEED	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>

<b>NET CHANGE IN FUND BALANCE</b>	<b>4</b>
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<b>FUND BALANCE - JANUARY 1</b>	<u>84,814</u>
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<b>FUND BALANCE - DECEMBER 31</b>	<u><u>\$ 84,818</u></u>
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## CITY OF HIBBING, MINNESOTA

**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended December 31, 2017

REVENUES	Other Postemploy- ment Benefits	2002 G.O. Refunding Bonds	2013A G.O. Bonds	Totals
<b>Taxes</b>				
General property	\$ 313,327	\$ -	\$ -	\$ 313,327
Taconite homestead credit	52,028	-	-	52,028
Other	77,679	-	-	77,679
<b>Total Taxes</b>	<b>443,034</b>	<b>-</b>	<b>-</b>	<b>443,034</b>
<b>Intergovernmental</b>				
State grants				
Market value credit	264	-	-	264
MSA maintenance	-	-	67,213	67,213
MSA construction	-	-	175,000	175,000
<b>Total Intergovernmental</b>	<b>264</b>	<b>-</b>	<b>242,213</b>	<b>242,477</b>
<b>Interest</b>	<b>51,646</b>	<b>-</b>	<b>-</b>	<b>51,646</b>
<b>TOTAL REVENUES</b>	<b>494,944</b>	<b>-</b>	<b>242,213</b>	<b>737,157</b>
<b>EXPENDITURES</b>				
<b>Debt Service</b>				
Principal	-	-	175,000	175,000
Interest	-	-	67,213	67,213
Other charges	-	-	700	700
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>242,913</b>	<b>242,913</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>494,944</b>	<b>-</b>	<b>(700)</b>	<b>494,244</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>494,944</b>	<b>-</b>	<b>(700)</b>	<b>494,244</b>
<b>FUND BALANCE - JANUARY 1</b>	<b>6,744,537</b>	<b>357,631</b>	<b>268,979</b>	<b>7,371,147</b>
<b>FUND BALANCE - DECEMBER 31</b>	<b>\$ 7,239,481</b>	<b>\$ 357,631</b>	<b>\$ 268,279</b>	<b>\$ 7,865,391</b>

## CITY OF HIBBING, MINNESOTA

**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year Ended December 31, 2017

REVENUES	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
<b>Taxes</b>				
General property	\$ 141,362	\$ -	\$ -	\$ 933,300
Taconite homestead credit	23,473	-	-	154,977
Taconite production	-	-	-	-
Other	35,046	-	-	231,382
<b>Total Taxes</b>	<b>199,881</b>	<b>-</b>	<b>-</b>	<b>1,319,659</b>
<b>Special Assessments</b>				
Principal	-	26,766	-	-
Interest and penalties	-	1,115	-	-
<b>Total Special Assessments</b>	<b>-</b>	<b>27,881</b>	<b>-</b>	<b>-</b>
<b>Intergovernmental</b>				
Federal grants				
Highway Safety Improvement Program	210,770	-	-	-
Other	-	-	-	-
State grants				
Market value credit	119	-	-	788
MSA maintenance municipal	323,605	-	-	-
MSA construction municipal	1,309,870	-	-	-
IRRRB	-	-	-	8,468
Other	-	-	-	12,286
County grants	-	-	-	-
<b>Total Intergovernmental</b>	<b>1,844,364</b>	<b>-</b>	<b>-</b>	<b>21,542</b>
<b>Charges for Services</b>				
Rent and advertising	-	-	17,239	-
<b>Gifts and Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,962</b>
<b>Interest</b>	<b>14,807</b>	<b>57</b>	<b>2,345</b>	<b>19,446</b>
<b>Miscellaneous</b>				
Other	-	-	-	19,500
<b>TOTAL REVENUES</b>	<b>\$ 2,059,052</b>	<b>\$ 27,938</b>	<b>\$ 19,584</b>	<b>\$ 1,688,099</b>

## CITY OF HIBBING, MINNESOTA

**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)**  
Year Ended December 31, 2017

<b>REVENUES</b>	<b>Mining Effects</b>	<b>Raceway</b>	<b>MDI Maintenance</b>	<b>Total</b>
<b>Taxes</b>				
General property	\$ -	\$ -	\$ -	\$ 1,074,662
Taconite homestead credit	-	-	-	178,450
Taconite production	225,988	-	-	225,988
Other	-	-	-	266,428
<b>Total Taxes</b>	<b>225,988</b>	<b>-</b>	<b>-</b>	<b>1,745,528</b>
<b>Special Assessments</b>				
Principal	-	-	-	26,766
Interest and penalties	-	-	-	1,115
<b>Total Special Assessments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,881</b>
<b>Intergovernmental</b>				
Federal grants				
Public Safety Interoperable Communications	-	-	-	210,770
Other	-	-	-	-
State grants				
Market value credit	-	-	-	907
MSA maintenance municipal	-	-	-	323,605
MSA construction municipal	-	-	-	1,309,870
IRRRB	-	-	-	8,468
Other	-	-	-	12,286
County grants	-	15,347	-	15,347
<b>Total Intergovernmental</b>	<b>-</b>	<b>15,347</b>	<b>-</b>	<b>1,881,253</b>
<b>Charges for Services</b>				
Rent and advertising	-	12,000	-	29,239
<b>Gifts and Contributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>307,952</b>
<b>Interest</b>	<b>-</b>	<b>2,131</b>	<b>201</b>	<b>38,987</b>
<b>Miscellaneous</b>				
Other	-	-	-	19,500
<b>TOTAL REVENUES</b>	<b>\$ 225,988</b>	<b>\$ 29,478</b>	<b>\$ 201</b>	<b>\$ 4,050,340</b>

## CITY OF HIBBING, MINNESOTA

**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)**  
 Year Ended December 31, 2017

	Permanent Improvement	Privately- Financed	Memorial Building	Capital Equipment and Improvement
<b>EXPENDITURES</b>				
<b>Current</b>	\$ -	\$ -	\$ -	\$ -
<b>Debt Service</b>				
Principal	-	-	-	475,000
Interest and other charges	-	-	-	26,717
<b>Total Debt Service</b>	-	-	-	501,717
<b>Capital Outlay</b>				
General government				
Mayor and council	-	-	-	-
Elections	-	-	-	-
City clerk	-	-	-	5,275
City hall	-	-	-	13,843
Data processing	-	-	-	15,900
Zoning and housing	-	-	-	-
Public safety				
Police	-	-	-	97,675
Fire	-	-	-	222,473
Paid on-call fire	-	-	-	-
Ambulance	-	-	-	26,328
Civil defense	-	-	-	-
Animal shelter	-	-	-	13,221
Public works				
Streets and alleys	2,698,857	5,671	-	7,827
Engineering	-	-	-	6,272
Garage	-	-	-	2,839
Culture and recreation				
Memorial building	-	-	3,348	878,581
Municipal golf course	-	-	-	55,109
Parks	-	-	-	296,760
Library	-	-	-	12,217
Racetrack	-	-	-	-
Mineview	-	-	-	237,142
Recreation	-	-	-	6,143
Miscellaneous				
Cemetery	-	-	-	5,950
Other	-	-	-	-
<b>Total Capital Outlay</b>	2,698,857	5,671	3,348	1,903,555
<b>TOTAL EXPENDITURES</b>	2,698,857	5,671	3,348	2,405,272
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(639,805)	22,267	16,236	(717,173)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	13,348
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-	13,348
<b>NET CHANGE IN FUND BALANCES</b>	(639,805)	22,267	16,236	(703,825)
<b>FUND BALANCES - JANUARY 1</b>	1,823,058	2,181	243,377	2,633,547
<b>FUND BALANCES - DECEMBER 31</b>	\$ 1,183,253	\$ 24,448	\$ 259,613	\$ 1,929,722

## CITY OF HIBBING, MINNESOTA

**CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)**  
Year Ended December 31, 2017

	<u>Mining Effects</u>	<u>Raceway</u>	<u>MDI Maintenance</u>	<u>Total</u>
<b>EXPENDITURES</b>				
<b>Current</b>	<u>\$ -</u>	<u>\$ 10,492</u>	<u>\$ -</u>	<u>\$ 10,492</u>
<b>Debt Service</b>				
Principal	-	-	-	475,000
Interest and other charges	-	-	-	26,717
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,717</u>
<b>Capital Outlay</b>				
General government				
Mayor and council	-	-	-	-
Elections	-	-	-	-
City clerk	-	-	-	5,275
City hall	-	-	-	13,843
Data processing	-	-	-	15,900
Personnel administration	-	-	-	-
Public safety				
Police	-	-	-	97,675
Fire	-	-	-	222,473
Paid on-call fire	-	-	-	-
Ambulance	-	-	-	26,328
Civil defense	-	-	-	-
Animal shelter	-	-	-	13,221
Public works				
Streets and alleys	-	-	-	2,712,355
Engineering	-	-	-	6,272
Garage	-	-	-	2,839
Culture and recreation				
Memorial building	-	-	-	881,929
Municipal golf course	-	-	-	55,109
Parks	-	-	-	296,760
Library	-	-	-	12,217
Racetrack	-	18,986	-	18,986
Mineview	-	-	-	237,142
Recreation	-	-	-	6,143
Miscellaneous				
Cemetery	-	-	-	5,950
Other	-	-	-	-
<b>Total Capital Outlay</b>	<u>-</u>	<u>18,986</u>	<u>-</u>	<u>4,630,417</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>29,478</u>	<u>-</u>	<u>5,142,626</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>225,988</u>	<u>-</u>	<u>201</u>	<u>(1,092,286)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Sale of capital assets	-	-	-	13,348
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,348</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>225,988</u>	<u>-</u>	<u>201</u>	<u>(1,078,938)</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>1,718,924</u>	<u>12,233</u>	<u>21,101</u>	<u>6,454,421</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 1,944,912</u>	<u>\$ 12,233</u>	<u>\$ 21,302</u>	<u>\$ 5,375,483</u>



## CITY OF HIBBING, MINNESOTA

**HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT**  
**COMBINING BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2017

	General Fund	Economic Development Special Revenue Fund	Tax Increment VII	Tax Increment XI	Debt Service Funds Tax Increment XII	Animal Shelter
<b>ASSETS</b>						
Cash and cash equivalents	\$ 490,854	\$ 2,053,350	\$ 206,402	\$ 18,627	\$ 18,140	\$ 115,972
Cash - restricted	-	-	-	-	-	46,286
Investments - restricted	-	-	-	-	-	-
Taxes receivable						
Unapportioned	1,208	-	-	-	-	-
Delinquent	-	-	110,421	15,964	-	-
Accounts receivable	600	-	-	-	-	-
Due from other funds	1,946	123,000	-	-	-	-
Due from other governments	4,200	-	-	-	-	-
Loans receivable	-	881,117	-	-	-	-
Prepaid items and other assets	300	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 499,108</b>	<b>\$ 3,057,467</b>	<b>\$ 316,823</b>	<b>\$ 34,591</b>	<b>\$ 18,140</b>	<b>\$ 162,258</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 215	\$ -	\$ -	\$ -	\$ 300	\$ -
Salaries payable	1,113	-	-	-	-	-
Due to other funds	-	-	-	1,664	-	-
Due to other governments	-	-	527	527	-	-
Contracts payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,328</b>	<b>-</b>	<b>527</b>	<b>2,191</b>	<b>300</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue:						
Property taxes	-	-	110,421	15,964	-	-
Loans receivable	-	881,117	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>881,117</b>	<b>110,421</b>	<b>15,964</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	205,875	16,436	17,840	162,258
Committed	497,780	2,176,350	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>497,780</b>	<b>2,176,350</b>	<b>205,875</b>	<b>16,436</b>	<b>17,840</b>	<b>162,258</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 499,108</b>	<b>\$ 3,057,467</b>	<b>\$ 316,823</b>	<b>\$ 34,591</b>	<b>\$ 18,140</b>	<b>\$ 162,258</b>

## CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
 COMBINING BALANCE SHEET (CONTINUED)  
 GOVERNMENTAL FUNDS  
 December 31, 2017

	Capital Projects Funds				Totals
	Storefront Renovation Project	District VIII Tax Increment	District XII Tax Increment	Tax Abatement	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,438	\$ 101,271	\$ -	\$ 60,151	\$ 3,074,205
Cash - restricted	-	-	-	-	46,286
Investments	-	-	-	-	-
Taxes receivable					
Unapportioned	-	-	-	597	1,805
Delinquent	-	268	-	-	126,653
Accounts receivable	-	-	-	-	600
Due from other funds	-	-	-	-	124,946
Due from other governments	-	-	-	-	4,200
Loans receivable	287,856	461,924	-	-	1,630,897
Prepaid items	-	-	-	-	300
<b>TOTAL ASSETS</b>	<u>\$ 297,294</u>	<u>\$ 563,463</u>	<u>\$ -</u>	<u>\$ 60,748</u>	<u>\$ 5,009,892</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,616	\$ 7,131
Salaries payable	-	-	-	-	1,113
Due to other funds	123,000	-	282	-	124,946
Due to other governments	-	527	527	-	2,108
Contracts payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>123,000</u>	<u>527</u>	<u>809</u>	<u>6,616</u>	<u>135,298</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Property taxes	-	268	-	-	126,653
Loans receivable	287,856	461,924	-	-	1,630,897
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>287,856</u>	<u>462,192</u>	<u>-</u>	<u>-</u>	<u>1,757,550</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	100,744	-	-	503,153
Committed	-	-	-	-	2,674,130
Assigned	-	-	-	54,132	54,132
Unassigned	(113,562)	-	(809)	-	(114,371)
<b>TOTAL FUND BALANCES</b>	<u>(113,562)</u>	<u>100,744</u>	<u>(809)</u>	<u>54,132</u>	<u>3,117,044</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 297,294</u>	<u>\$ 563,463</u>	<u>\$ -</u>	<u>\$ 60,748</u>	<u>\$ 5,009,892</u>

## CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended December 31, 2017

	General Fund	Economic Development Special Revenue Fund	Tax Increment VII	Tax Increment XI	Tax Increment XII	Animal Shelter
<b>REVENUES</b>						
<b>Taxes</b>						
General	\$ 74,340	\$ -	\$ 66,283	\$ 19,821	\$ 59,681	\$ -
Taconite homestead credit	12,344	-	-	-	-	-
Other	18,430	-	-	-	-	-
<b>Intergovernmental</b>						
State grants						
Market value credit	63	-	-	-	-	-
IRRRB grant	4,200	100,000	-	-	-	-
<b>Interest in Capital Lease</b>	-	-	-	-	-	41,013
<b>Gifts and contributions</b>	-	-	-	-	-	-
<b>Interest</b>	7,460	343	1,900	25	-	23
<b>Miscellaneous</b>						
Principal on loan repayments	-	103,951	-	-	-	-
Interest on loan repayments	-	19,640	-	-	-	-
<b>TOTAL REVENUES</b>	<u>116,837</u>	<u>223,934</u>	<u>68,183</u>	<u>19,846</u>	<u>59,681</u>	<u>41,036</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic development						
Community development	-	-	-	-	-	-
Administration	77,013	2,600	3,890	-	67	-
Professional services	20,502	-	1,219	1,219	-	-
Loans	-	424,087	-	-	-	-
Tax increment projects	-	-	-	-	-	-
<b>Debt Service</b>						
Principal	-	-	40,000	-	-	29,427
Interest	-	-	1,500	-	39,527	11,586
Other charges	-	-	-	-	300	-
Fiscal charges	-	-	-	-	495	-
<b>Capital Outlay</b>						
Community development	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>97,515</u>	<u>426,687</u>	<u>46,609</u>	<u>1,219</u>	<u>40,389</u>	<u>41,013</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>19,322</u>	<u>(202,753)</u>	<u>21,574</u>	<u>18,627</u>	<u>19,292</u>	<u>23</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Issuance	-	-	-	-	-	-
Transfers in	51,000	1,363,267	-	-	-	-
Transfers out	(400,000)	-	-	-	(1,152)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(349,000)</u>	<u>1,363,267</u>	<u>-</u>	<u>-</u>	<u>(1,152)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(329,678)</u>	<u>1,160,514</u>	<u>21,574</u>	<u>18,627</u>	<u>18,140</u>	<u>23</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>827,458</u>	<u>1,015,836</u>	<u>184,301</u>	<u>(2,191)</u>	<u>(300)</u>	<u>162,235</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ 497,780</u>	<u>\$ 2,176,350</u>	<u>\$ 205,875</u>	<u>\$ 16,436</u>	<u>\$ 17,840</u>	<u>\$ 162,258</u>

## 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, 2016

	Capital Projects Funds				Totals
	Storefront Renovation Project	District VIII Tax Increment	District XII Tax Increment	Tax Abatement	
<b>REVENUES</b>					
<b>Taxes</b>					
General	\$ -	\$ 12,932	\$ -	\$ 36,753	\$ 269,810
Taconite homestead credit	-	-	-	6,103	18,447
Other	-	-	-	9,113	27,543
<b>Intergovernmental</b>					
State grants					
Market value credit	-	-	-	31	94
IRRRB grant	-	-	-	-	104,200
<b>Interest in Capital Lease</b>	-	-	-	-	41,013
<b>Gifts and contributions</b>	-	-	-	-	-
<b>Interest</b>	-	871	-	481	11,103
<b>Miscellaneous</b>					
Principal on loan repayments	128,122	-	-	-	232,073
Interest on loan repayments	13,675	-	-	-	33,315
<b>TOTAL REVENUES</b>	<u>141,797</u>	<u>13,803</u>	<u>-</u>	<u>52,481</u>	<u>737,598</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
Economic development					
Community development	-	-	-	40,632	40,632
Administration	-	-	-	-	83,570
Professional services	-	1,219	1,152	-	25,311
Loans	160,000	-	-	8,784	592,871
Tax increment projects	-	-	-	-	-
<b>Debt Service</b>					
Principal	-	-	-	-	69,427
Interest	-	-	-	-	52,613
Other charges	-	-	-	-	300
Fiscal charges	-	-	-	-	495
<b>Capital Outlay</b>					
Community development	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>160,000</u>	<u>1,219</u>	<u>1,152</u>	<u>49,416</u>	<u>865,219</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(18,203)</u>	<u>12,584</u>	<u>(1,152)</u>	<u>3,065</u>	<u>(127,621)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt issuance	-	-	-	-	-
Transfers in	-	-	1,152	-	1,415,419
Transfers out	-	-	-	-	(401,152)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1,152</u>	<u>-</u>	<u>1,014,267</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(18,203)</u>	<u>12,584</u>	<u>-</u>	<u>3,065</u>	<u>886,646</u>
<b>FUND BALANCES - JANUARY 1</b>	<u>(95,359)</u>	<u>88,160</u>	<u>(809)</u>	<u>51,067</u>	<u>2,230,398</u>
<b>FUND BALANCES - DECEMBER 31</b>	<u>\$ (113,562)</u>	<u>\$ 100,744</u>	<u>\$ (809)</u>	<u>\$ 54,132</u>	<u>\$ 3,117,044</u>

CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
December 31, 2017

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

## CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 ENTERPRISE FUND  
 December 31, 2017

	<u>Family Center</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ -
Miscellaneous	-
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>
<b>OPERATING EXPENSES</b>	
Personal services	-
Supplies	-
Maintenance and repairs	-
Contracted services	-
Utilities	-
Depreciation	-
Miscellaneous	-
<b>TOTAL OPERATING EXPENSES</b>	<u>-</u>
<b>OPERATING INCOME</b>	<u>-</u>
<b>NONOPERATING REVENUES</b>	
Interest income	-
Interest on notes	-
Interest expense	-
Amortization	-
Gain on disposal of student housing facility	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>-</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>-</u>
Transfers in	-
Transfers out	(963,267)
<b>CHANGE IN NET POSITION</b>	(963,267)
<b>TOTAL NET POSITION - JANUARY 1</b>	<u>963,267</u>
<b>TOTAL NET POSITION - DECEMBER 31</b>	<u><u>\$ -</u></u>

## CITY OF HIBBING, MINNESOTA

HIBBING ECONOMIC DEVELOPMENT AUTHORITY - COMPONENT UNIT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
December 31, 2017

	Family Center
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ -
Cash paid to suppliers	-
Cash paid to employees	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer in from other funds	-
Transfer out to other funds	(963,267)
Prior year cash deficit payment	-
Interfund financing of cash deficit	-
Principal received on note	-
Interest received on note	-
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(963,267)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase or construction of fixed assets	-
Principal paid on long-term debt	-
Interest paid on long-term debt	-
Sale of facility	-
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(963,267)</u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>963,267</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
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	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<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, 2017

	Tax Increment District VII	
District type	Redevelopment	
Authorized under Minn. Statute, ch#	469	
Established in	1993	
Planned completion in	2019	
Original net tax capacity	\$	3,911
Current net tax capacity		47,641
Fiscal disparity deduction		-
<b>Captured Net Tax Capacity Retained by the City</b>	<b>\$</b>	<b>43,730</b>
	Accounted for in Prior Years	Current Year
<b>SOURCES OF FUNDS</b>		
Bond proceeds	\$ 320,000	\$ -
Note proceeds	-	-
Tax increments received	1,065,650	66,283
General property taxes received	-	-
Interest on invested funds	12,515	1,900
Grants	299,999	-
Local contributions	8,251	-
Miscellaneous	19,619	-
<b>TOTAL SOURCES OF FUNDS</b>	<b>1,726,034</b>	<b>68,183</b>
<b>USES OF FUNDS</b>		
Building acquisition	-	-
Other public improvements	721,672	-
Bond payments		
Principal	280,000	40,000
Interest and fiscal charges	342,835	1,500
Professional services	33,962	1,219
Administrative costs	148,099	3,890
<b>TOTAL USES OF FUNDS</b>	<b>1,526,568</b>	<b>46,609</b>
<b>EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS BEFORE TRANSFERS</b>	<b>199,466</b>	<b>21,574</b>
<b>TRANSFERS</b>		
Decertified district - remittance to County	-	-
Transfers to other districts	-	-
Transfers to other funds	(15,165)	-
Transfers from other districts	-	-
Transfers from other funds	-	-
<b>TOTAL TRANSFERS</b>	<b>(15,165)</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF SOURCES OVER USES OF FUNDS AND TRANSFERS</b>	<b>\$ 184,301</b>	<b>21,574</b>
<b>DISTRICT BALANCE - JANUARY 1</b>		<b>184,301</b>
<b>DISTRICT BALANCE - DECEMBER 31</b>		<b>\$ 205,875</b>



Tax Increment District VIII		Tax Increment District XI		Tax Increment District XII	
Qualified Housing 469 1993 2020		Redevelopment 469 1999 2025		Redevelopment 469 2012 2038	
\$ 472		\$ 525		\$ 14,338	
8,958		17,814		55,676	
-		4,280		-	
<u>\$ 8,486</u>		<u>\$ 13,009</u>		<u>\$ 41,338</u>	
Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year	Accounted for in Prior Years	Current Year
\$ -	\$ -	\$ 165,000	\$ -	\$ 830,000	\$ -
-	-	-	-	-	-
251,873	12,932	193,068	19,821	42,134	59,681
-	-	-	-	-	-
6,085	871	1,900	25	363	-
385,000	-	-	-	-	-
-	-	67,786	-	-	-
18,670	-	2,786	-	-	-
<u>661,628</u>	<u>13,803</u>	<u>430,540</u>	<u>19,846</u>	<u>872,497</u>	<u>59,681</u>
555,095	-	-	-	-	-
67,392	-	253,248	-	700,000	-
-	-	165,000	-	-	-
-	-	136,317	-	142,176	40,322
12,173	1,219	33,823	1,219	31,306	1,152
30,205	-	45	-	124	67
<u>664,865</u>	<u>1,219</u>	<u>588,433</u>	<u>1,219</u>	<u>873,606</u>	<u>41,541</u>
(3,237)	12,584	(157,893)	18,627	(1,109)	18,140
-	-	-	-	-	-
-	-	-	-	-	-
(4,926)	-	-	-	-	-
-	-	35,055	-	-	-
96,323	-	120,647	-	-	-
<u>91,397</u>	<u>-</u>	<u>155,702</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 88,160</u>	12,584	<u>\$ (2,191)</u>	18,627	<u>\$ (1,109)</u>	18,140
	88,160		(2,191)		(1,109)
<u>\$ 100,744</u>		<u>\$ 16,436</u>		<u>\$ 17,031</u>	

# Fort & Company, P.A.

## Certified Public Accountants

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### **INDEPENDENT AUDITORS' 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, 2017, which collectively comprise the City of Hibbing, Minnesota's basic financial statements and have issued our report thereon dated July 18, 2018. 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 of the financial statements, we considered the City of Hibbing, Minnesota's internal control over financial reporting (internal control) 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 a 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 internal control over financial reporting that might be material weaknesses or 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 or significant deficiencies 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 2017-1 and 2017-2 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 on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 considered 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 Cities*. 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.

## **City of Hibbing, Minnesota's Response to Findings**

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 Responses. 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, P.A.  
July 18, 2018

CITY OF HIBBING, MINNESOTA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2017

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**SIGNIFICANT DEFICIENCIES**

**2017-1. SEGREGATION OF DUTIES**

**Condition**

Due to the limited number of personnel within the City Clerk's 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 and elected City Clerk should constantly be aware of this condition, attempt to segregate duties as much as possible and provide oversight to partially compensate for this deficiency. Additionally, the City Clerk's Office should carefully review employee access to functions within Incode, the City's enterprise accounting software system.

**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 Salaried Clerk monitors transactions and structures 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 Salaried Clerk will provide additional oversight to the operations of the City Clerk's Office. In addition, the City Council provides a level of oversight.

**3. Official Responsible for Ensuring CAP**

Mary Ann Kepler, Salaried Clerk, is the official responsible for ensuring this plan.

**4. Planned Completion Date for CAP**

The City's Salaried Clerk has been monitoring transactions and reviewing the duties of office personnel on an ongoing basis. However, with the recent changes in the City Clerk's Office, the Salaried Clerk will be reviewing the Incode access that is granted to City staff and ascertain that the access is compatible with the employee's assigned duties. The Salaried Clerk plans to complete this process by the end of 2018.

**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.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

Year Ended December 31, 2017

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**2017-2. 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 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**

Mary Ann Kepler, Salaried Clerk  
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, Mary Ann Kepler is 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.