

Annual Financial Report

City of Hibbing
Hibbing, Minnesota

For the Year Ended
December 31, 2020

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City of Hibbing, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2020

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	41
Proprietary Funds	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	45
Statement of Cash Flows	46
Notes to the Financial Statements	49
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	98
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	99
Notes to the Required Supplementary Information - General Employees Retirement Fund	100
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	102
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	102
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	103
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	105
Schedule of Employer's Fire Relief Association Contributions	105
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	106
Notes to the Required Supplementary Information - Modified Approach for City Gravel Roads Infrastructure Capital Assets	107

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City of Hibbing, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2020

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	110
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	111
Nonmajor Special Revenue Funds	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	113
Library Special Revenue Fund Statement of Revenues, Expenditures and Changes in Fund Balances	
- Budget and Actual	115
Nonmajor Capital Projects Funds	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	118
Nonmajor Debt Service Funds	
Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	121
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	122
Discretely Presented Component Unit	
Economic Development Authority	
Combining Balance Sheet and Statement of Net Position	128
Combining Statement of Revenues, Expenditures/Expenses and	
Changes in Fund Balances/Net Position	132
Statement of Cash Flows	136
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	137
 Other Required Reports	
Independent Auditor's Report	
on Minnesota Legal Compliance	141
Independent Auditor's Report on Internal Control Over Financial	
Reporting and on Compliance and Other Matters Based on	
an Audit of Financial Statements Performed in Accordance	
with <i>Government Auditing Standards</i>	142
Schedule of Finding and Response	144
 Federal Financial Award Programs	
Independent Auditor's Report on Compliance for Each Major Program and	
on Internal Control Over Compliance Required <i>by The Uniform Guidance</i>	146
Schedule of Expenditures of Federal Awards	148
Notes to the Schedule of Expenditures of Federal Awards	149
Schedule of Findings, Responses and Questioned Costs	151

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INTRODUCTORY SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Hibbing, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Cannata	Mayor	12/31/22
James Bayliss	Council Member	12/31/22
Tim Harkonen	Council Member	12/31/22
Jay Hildenbrand	Council Member	12/31/24
Jennifer Hoffman Saccoman	Council Member	12/31/24
Justin Fosso	Member-at-Large	12/31/22
John Schweiberger	Member-at-Large	12/31/24

APPOINTED

Tom Dicklich	City Administrator
Mary Ann Kelper	City Clerk/Treasurer
Andy Borland	City Attorney

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FINANCIAL SECTION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and 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 discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City), as of and for the year ended December 31, 2020, 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 Discretely Presented Component Unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Utilities Commission Discretely Presented Component Unit, 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 of 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 City'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 City'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, 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 discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Employer's Contributions, and the Schedule of Changes in the City's OPEB Liability and Related Ratios), and the Notes to the Required Supplementary Information, as listed in the table of contents starting on page 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
August 18, 2021

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Management's Discussion and Analysis

As management of the City of Hibbing, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020.

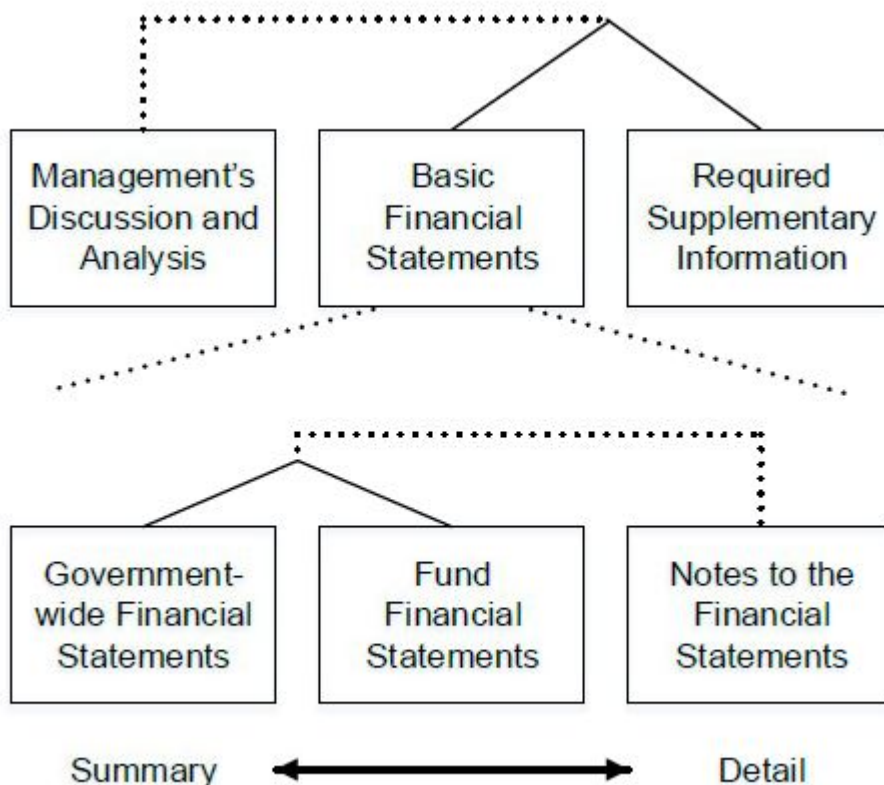
Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$71,760,297 (net position). Of this amount, \$6,390,001 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,738,458. This increase can be attributed primarily to excess revenues over expenses in the governmental activities. Tax revenue and local government aid were the main sources of revenues that contributed to the increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,116,746, an increase of \$4,558,235 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$24,613,728 or 124.5 percent of the 2021 budgeted General fund expenditures. At the same time, the cash and investment balance for the General fund was \$24,690,038 or 136.3 percent of the 2020 actual General fund expenditures. The General fund balance increased \$2,764,656 in 2020. Of the total General fund balance, \$336,560 is nonspendable for prepaid and inventory items, \$83,151 is restricted for Covid-19, \$11,339,696 is assigned for the 2021 budget, workers' compensation premium adjustments, and future capital projects funded from the sale of assets and the remainder, \$12,854,321, is unassigned and available for spending at the City's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Organization of the City's Annual Financial Report



The following chart summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the garbage and refuse collection and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and no measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	None reported
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include garbage and refuse collection, sewer operating and maintenance, and Memorial Building concessions.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (EDA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements start on page 31 of this report.

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

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

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

The City maintains various individual governmental funds, six of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and OPEB Debt Service funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* or *schedules* elsewhere in this report.

The City adopts an annual appropriations budget for its General fund and Library fund. A budgetary comparison statement and schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 36 of this report.

Proprietary Funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Garbage and Refuse fund, Sewer Operating fund and Memorial Building Concessions fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary funds financial statements start on page 42 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on page 98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 110 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$71,760,297 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (86.9 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has prepared schedules which identify future annual revenue sources sufficient for each debt service issue through their respective maturities.

City of Hibbing's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 40,498,339	\$ 35,466,377	\$ 5,031,962	\$ 8,031,300	\$ 7,074,239	\$ 957,061
Capital assets, net of depreciation	38,502,539	37,720,194	782,345	36,153,175	37,070,929	(917,754)
Total Assets	79,000,878	73,186,571	5,814,307	44,184,475	44,145,168	39,307
Deferred Outflows of Resources	8,965,848	7,348,060	1,617,788	970,607	596,517	374,090
Liabilities						
Noncurrent liabilities outstanding	33,155,745	33,437,473	(281,728)	4,970,284	14,964,541	(9,994,257)
Other liabilities	7,443,029	1,332,253	6,110,776	9,287,749	246,648	9,041,101
Total Liabilities	40,598,774	34,769,726	5,829,048	14,258,033	15,211,189	(953,156)
Deferred Inflows of Resources	6,048,830	9,558,321	(3,509,491)	455,874	715,241	(259,367)
Net Position						
Net investment in capital assets	35,001,649	34,346,838	654,811	27,361,320	27,122,578	238,742
Restricted	3,007,327	3,121,842	(114,515)	-	-	-
Unrestricted	3,310,146	(1,262,096)	4,572,242	3,079,855	1,692,677	1,387,178
Total Net Position	\$ 41,319,122	\$ 36,206,584	\$ 5,112,538	\$ 30,441,175	\$ 28,815,255	\$ 1,625,920

A portion of the City's net position (4.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$6,390,001) may be used to meet the City's ongoing obligations to citizens and creditors.

During the current year, the City's net position increased \$6,738,458.

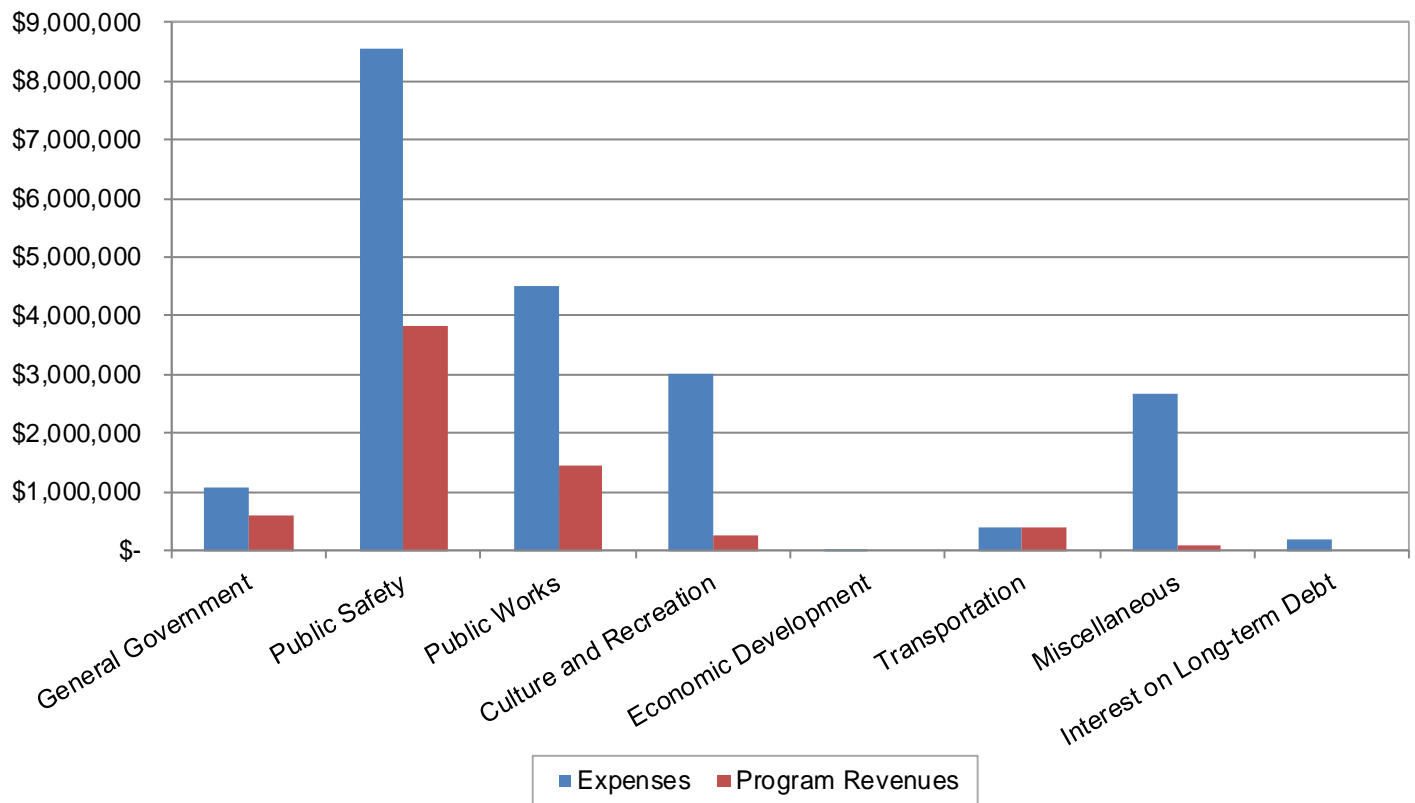
Governmental and Business-type Activities. Governmental activities increased the City's net position by \$5,112,538 and business-type activities increased the City's net position by \$1,625,920. Significant changes from the prior year are noted below:

City of Hibbing's Changes in Net Position

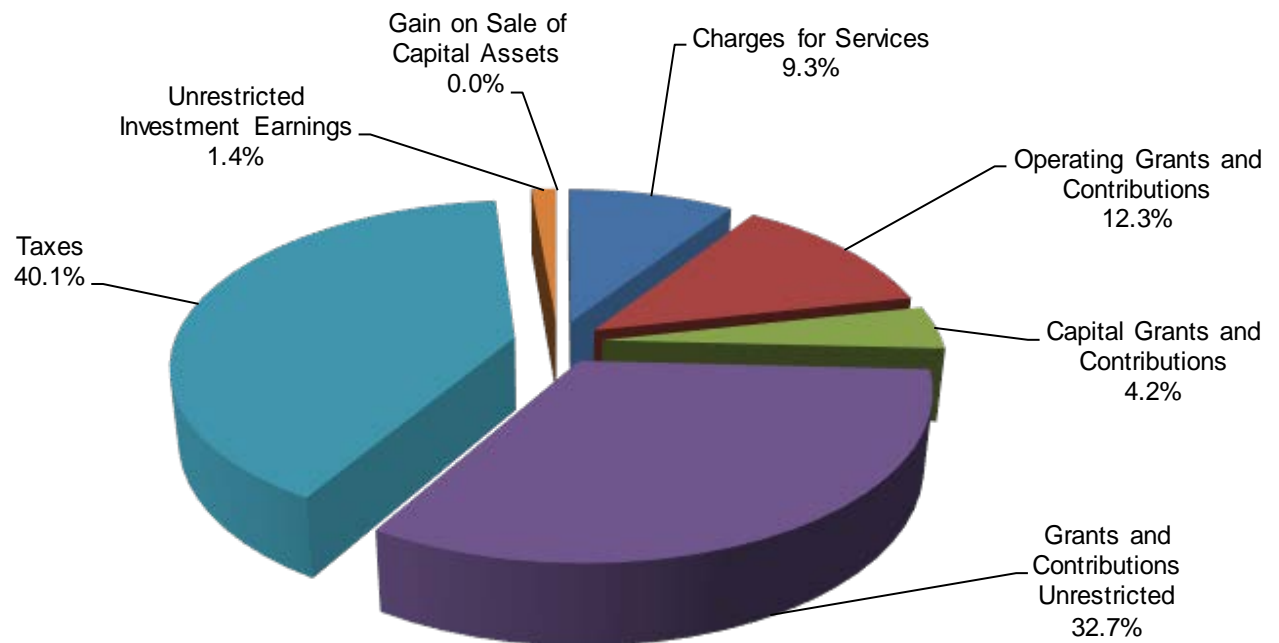
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 2,388,082	\$ 2,509,318	\$ (121,236)	\$ 6,653,768	\$ 6,476,718	\$ 177,050
Operating grants and contributions	3,139,699	1,558,043	1,581,656	2,599	2,223	376
Capital grants and contributions	1,060,870	1,053,378	7,492	206,789	165,367	41,422
General Revenues						
Taxes						
Property taxes	10,098,233	9,753,536	344,697	-	-	-
Other taxes	130,129	130,763	(634)	-	-	-
Grants and contributions not restricted to specific programs	8,356,092	8,224,855	131,237	-	-	-
Unrestricted investment earnings	357,978	784,406	(426,428)	49,498	106,863	(57,365)
Gain on sale of capital assets	6,482	24,792	(18,310)	4,095	3,404	691
Total Revenues	<u>25,537,565</u>	<u>24,039,091</u>	<u>1,498,474</u>	<u>6,916,749</u>	<u>6,754,575</u>	<u>162,174</u>
Expenses						
General government	1,084,911	1,945,708	(860,797)	-	-	-
Public safety	8,552,772	7,577,549	975,223	-	-	-
Public works	4,496,180	4,390,495	105,685	-	-	-
Culture and recreation	3,020,825	3,299,417	(278,592)	-	-	-
Economic development	17,438	11,431	6,007	-	-	-
Transportation	390,622	412,295	(21,673)	-	-	-
Miscellaneous	2,668,706	2,381,639	287,067	-	-	-
Interest on long-term debt	193,573	143,075	50,498	-	-	-
Garbage and refuse collection	-	-	-	2,346,970	2,483,064	(136,094)
Sewer operating and maintenance	-	-	-	2,942,362	2,940,477	1,885
Memorial building concessions	-	-	-	1,497	1,515	(18)
Total Expenses	<u>20,425,027</u>	<u>20,161,609</u>	<u>263,418</u>	<u>5,290,829</u>	<u>5,425,056</u>	<u>(134,227)</u>
Change in Net Position						
Before Transfers	5,112,538	3,877,482	1,235,056	1,625,920	1,329,519	296,401
Transfers - capital assets	-	(51,286)	51,286	-	51,286	(51,286)
Transfers - Internal Activities	-	170,000	(170,000)	-	(170,000)	170,000
Change in Net Position	5,112,538	3,996,196	1,116,342	1,625,920	1,210,805	415,115
Net Position, January 1	36,206,584	34,440,388	1,766,196	28,815,255	27,604,450	1,210,805
Prior Period Adjustment	-	(2,230,000)	2,230,000	-	-	-
Net Position, December 31	<u>\$ 41,319,122</u>	<u>\$ 36,206,584</u>	<u>\$ 5,112,538</u>	<u>\$ 30,441,175</u>	<u>\$ 28,815,255</u>	<u>\$ 1,625,920</u>

The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



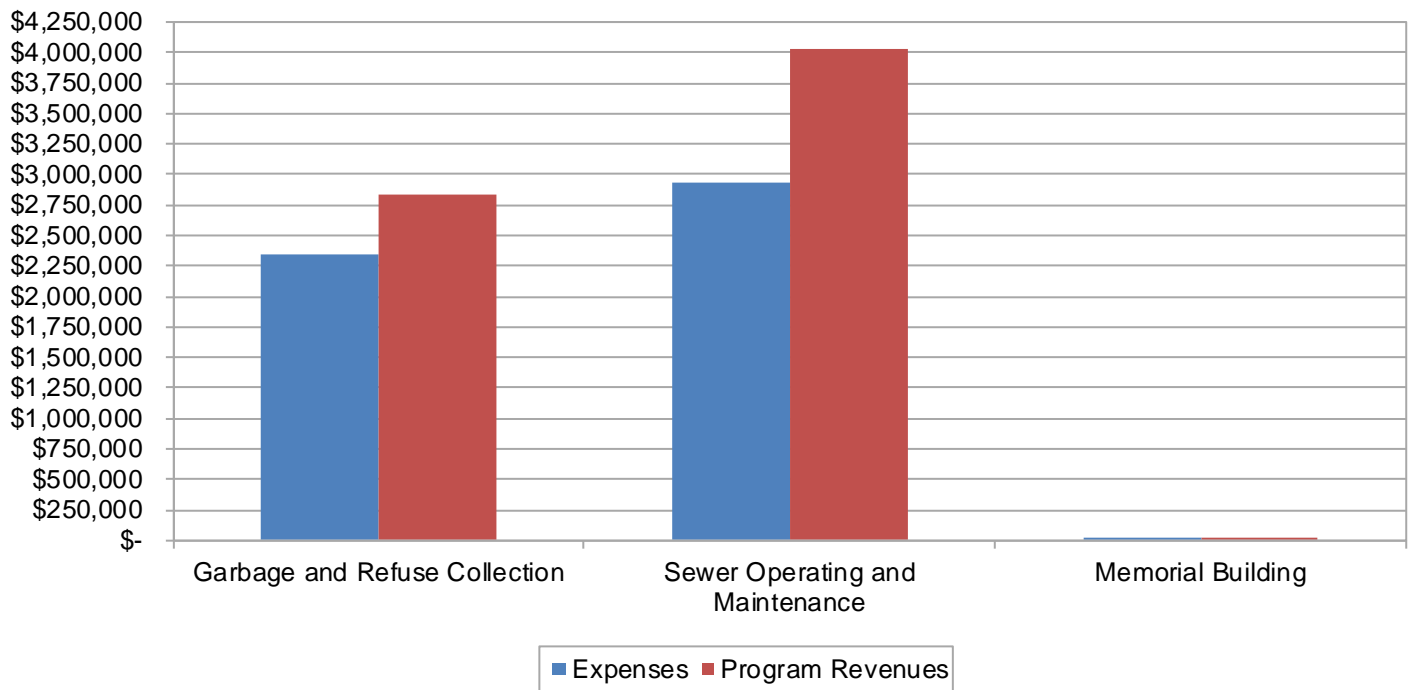
Revenues by Source - Governmental Activities



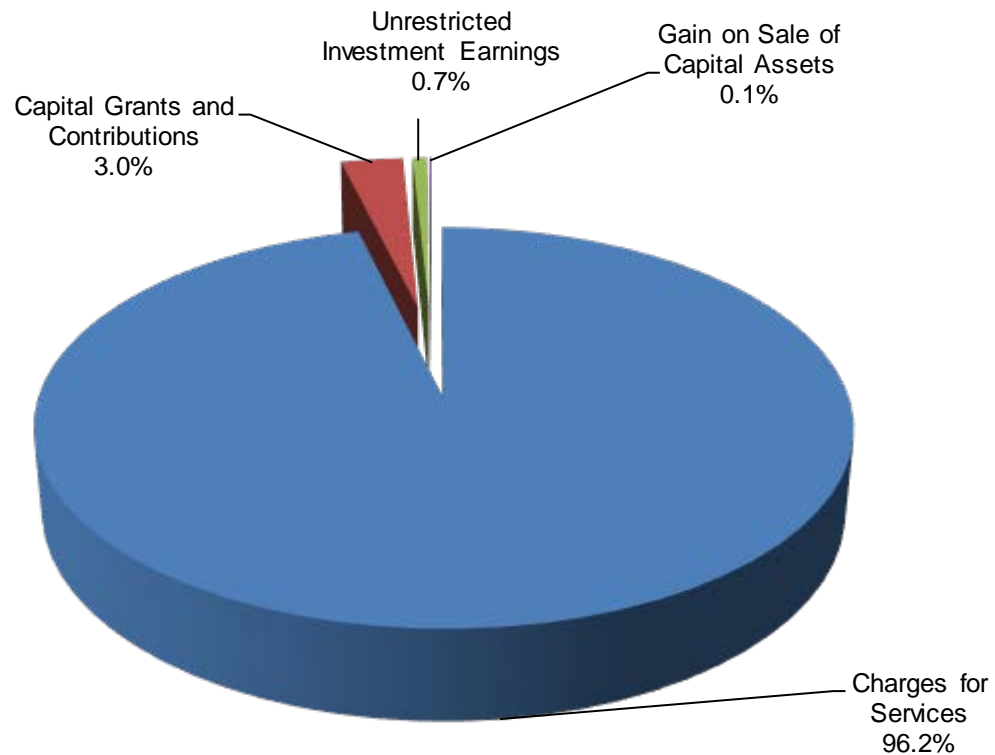
Business-type Activities. Business-type activities increased the City's net position by \$1,625,920. Key elements of this increase are as follows:

- Operating income of the proprietary funds totaled \$1,590,776 for 2020.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,116,746. Of this total amount, \$12,854,321 constitutes an *unassigned fund balance*. However, the City primarily uses the fund balance as a means to adequately maintain a positive cash flow in the General fund. Without this amount of money, the City would need to rely on short-term borrowing. The remainder of fund balance is not available for new spending because it is either 1) restricted (\$3,666,743), 2) committed (\$9,457,199), 3) nonspendable (\$345,484), or 4) assigned (\$11,792,999). For further classification, refer to Note 3G starting on page 75 of this report.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2020	2019	
General	\$ 24,613,728	\$ 21,849,072	\$ 2,764,656

The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to the following year's budget. The fund balance is 115 percent of next year's budgeted expenditures.

Other Post-Employment Benefits	\$ 7,031,646	\$ 6,634,578	\$ 397,068
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Fund balance of the Debt Service fund increased \$397,068 from the prior year primarily due to tax revenue and no operating expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,079,855. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was amended during the year. The amended budget called for no change in fund balance.

Actual revenues were over budget by \$1,954,286, which was primarily the result of \$41,705 in excess tax revenues and \$128,383 in excess interest earnings revenues. Current expenditures were \$1,545,014 under budget. The largest expenditure variance was in the culture and recreation category, which was \$492,448 under budget due to the city services department coming in under budget. The next largest variance was due to public safety expenditures, which were \$371,501 less than anticipated due to fewer fire and rescue expenditures than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2020, amounts to \$74,655,714 (net of accumulated depreciation). This investment in capital assets includes land, intangible assets, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. Major capital asset events during the current fiscal year included the following:

- New west side windows for City Hall
- Vehicle purchases including three new police cars and two new ambulances
- Equipment purchases such as armer radios, cardiac monitors, and ventilators
- City paving projects
- Mineview improvements and Sanitary Sewer Lining

City of Hibbing's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land, Improvements, Intangibles, Artwork, Gravel Roads	\$ 8,381,605	\$ 8,233,031	\$ 148,574	\$ 423,719	\$ 423,719	\$ -
Construction in Progress	1,053,549	998,625	54,924	670,945	351,711	319,234
Infrastructure	14,086,430	13,889,200	197,230	15,943,250	16,429,023	(485,773)
Buildings and improvements	11,187,214	11,555,617	(368,403)	17,928,562	18,708,471	(779,909)
Equipment, Machinery and Furniture	3,793,741	3,043,721	750,020	1,186,699	1,158,005	28,694
Total	\$ 38,502,539	\$ 37,720,194	\$ 782,345	\$ 36,153,175	\$ 37,070,929	\$ (917,754)

Additional information on the City's capital assets can be found in Note 3B starting on page 63 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,503,954.

City of Hibbing's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Bonds Payable	\$ 3,845,000	\$ 3,685,000	\$ 160,000	\$ 8,658,954	\$ 9,846,954	\$ (1,188,000)
Unamortized Premium on Bonds	233,892	64,920	168,972	136,793	105,641	31,152
Unamortized Discount on Bonds	-	-	-	(3,892)	(4,244)	352
Lease Purchase Obligation	162,518	197,565	(35,047)	-	-	-
Total	\$ 4,241,410	\$ 3,947,485	\$ 293,925	\$ 8,791,855	\$ 9,948,351	\$ (1,156,496)

The City's total noncurrent liabilities decreased by \$827,524 (6.0 percent) during the current fiscal year.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City is under the statutory debt limit as of December 31, 2020.

Additional information on the City's long-term debt can be found in Note 3F starting on page 68 of the audit report.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the 2021 budget, tax rates, and fees that will be charged for the business-type activities.

- The General Fund expenditures and transfers for 2021 are budgeted to be \$19,367,935, which is a \$441,611 increase from the 2020 final budget of \$18,926,324.
- Property tax levies increased 5.24 percent for 2021.
- Consistent with the national and global economy, rising health care significantly impacts the City's budgets.

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 2018. The aids were trended upwards in 2019, and the downturn was surpassed in 2020. 2021 is projected to remain stable.

The City hired a consultant in early 2019 to assist in evaluating the cost of providing sanitary sewer services to determine the appropriate level of user fees that will provide adequate cash flow to pay for utility capital improvements and asset replacement, anticipated future operating and maintenance, debt services, and cash reserves. Sewer utility rates were raised as of April 1, 2019, February 1, 2020, and February 1, 2021.

The City's 2021 capital budget calls for it to spend another \$1,210,500 for capital projects, principally the following:

Cemetery	\$52,500
General Government	\$8,000
Memorial Building	\$156,000
Parks and Recreation	\$80,000
Public Safety	\$729,000
Public Works	\$185,000
Total	<u>\$1,210,500</u>

The City of Hibbing has been proactive in dealing with the unexpected impact of the COVID-19 pandemic beginning in February, 2020. The City has partnered with the local hospital to prepare the Memorial Building to be a triage center should the need arise. We have also partnered with nearby cities to purchase PPE in bulk. A hiring freeze has been instituted for departments other than public safety; seasonal and student workers had reduced hours in 2020; and non-essential overtime has been cut. Some full-time city workers have been assigned to other duties due to building closures. Safety personnel has incurred additional hours in preparing an emergency command center and secondary quarters. Efforts are being made to strengthen safety in city buildings and election polling places. Like other cities, we will see lost operating revenues due to the crisis in 2021 and possible reductions in LGA and taconite production taxes in future years due to the fallout. Capital projects may be postponed in 2021. The City, however, has received and will continue to apply for grants related to the COVID.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, 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 Sheena Mulner, City of Hibbing, 401 East 21st Street, Hibbing, Minnesota 55746.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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City of Hibbing, Minnesota
Statement of Net Position
December 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Assets					
Cash and temporary investments	\$ 31,753,637	\$ 5,314,193	\$ 37,067,830	\$ 2,971,277	\$ 1,323,325
Restricted cash and temporary investments	-	-	-	46,377	-
Designated cash - other postemployment benefits	5,280,458	1,800,000	7,080,458	-	250,000
Investments	-	-	-	-	31,043,955
Designated investments - other postemployment benefits	1,743,620	120,000	1,863,620	-	-
Temporarily restricted assets					
Cash	-	-	-	-	619,546
Amounts held in escrow accounts	-	-	-	-	348,805
Receivables					
Taxes	323,210	-	323,210	2,543	-
Accounts, net	225,065	9,242	234,307	22,800	2,371,696
Accrued interest	63,362	-	63,362	-	139,081
Unbilled Revenues	-	-	-	-	1,773,210
Loans, net of allowance	-	-	-	2,529,419	-
Special assessments	138,620	66,592	205,212	-	-
Note receivable - Steam conversion program - current maturities	-	-	-	-	40,000
Note receivable - Steam conversion program	-	-	-	-	352,954
Due from other governments	371,901	190,545	562,446	-	-
Due from component units	-	535,667	535,667	-	-
Inventories	531	1,291	1,822	-	1,033,728
Prepaid items	344,953	31,770	376,723	300	217,669
Internal balances	38,000	(38,000)	-	-	-
Equity in joint venture	-	-	-	-	31,705,259
Intangible asset - service concession arrangements	-	-	-	-	2,743,744
Net pension asset	214,982	-	214,982	-	-
Capital assets					
Land and construction in progress	9,435,154	1,094,664	10,529,818	137,745	1,273,269
Depreciable assets (net of accumulated depreciation)	29,067,385	35,058,511	64,125,896	557,846	50,152,154
Total Assets	<u>79,000,878</u>	<u>44,184,475</u>	<u>123,185,353</u>	<u>6,268,307</u>	<u>125,388,395</u>
Deferred Outflows of Resources					
Deferred pension resources	3,187,493	61,164	3,248,657	157	214,888
Deferred other postemployment benefit resources	5,778,355	909,443	6,687,798	-	3,863,705
Total Deferred Outflows of Resources	<u>8,965,848</u>	<u>970,607</u>	<u>9,936,455</u>	<u>157</u>	<u>4,078,593</u>
Liabilities					
Accounts and other payables	259,125	68,115	327,240	38,107	2,209,543
Due to other governments	251,316	21,175	272,491	5,344	-
Accrued salaries payable	322,988	59,789	382,777	3,143	-
Accrued interest payable	50,557	78,302	128,859	28,992	-
Customer deposits payable	-	-	-	-	439,273
Contracts payable	148,904	21,186	170,090	-	-
Other accrued liabilities	175,247	-	175,247	-	189,510
Due to primary government	-	-	-	-	535,667
Unearned revenue	614,106	-	614,106	-	18,289
Compensated absences	-	-	-	-	464,792
Noncurrent liabilities					
Due within one year					
Long-term liabilities	747,503	1,346,725	2,094,228	765,000	125,000
Due in more than one year					
Long-term liabilities	4,873,283	7,692,457	12,565,740	1,331,652	1,422,285
Net pension liability	7,733,133	969,072	8,702,205	2,489	3,897,047
Other postemployment benefits payable	<u>25,422,612</u>	<u>4,001,212</u>	<u>29,423,824</u>	<u>-</u>	<u>21,358,657</u>
Total Liabilities	<u>40,598,774</u>	<u>14,258,033</u>	<u>54,856,807</u>	<u>2,174,727</u>	<u>30,660,063</u>
Deferred Inflows of Resources					
Deferred pension resources	3,806,697	102,989	3,909,686	265	731,051
Deferred other postemployment benefit resources	2,242,133	352,885	2,595,018	-	3,301,106
Total Deferred Inflows of Resources	<u>6,048,830</u>	<u>455,874</u>	<u>6,504,704</u>	<u>265</u>	<u>4,032,157</u>
Net Position					
Net investment in capital assets	35,001,649	27,361,320	62,362,969	695,591	50,730,423
Restricted for					
Capital projects	2,132,159	-	2,132,159	-	-
Debt service	792,017	-	792,017	911,905	161,984
Covid-19	83,151	-	83,151	142,987	-
Economic development	-	-	-	142,987	-
Unrestricted	<u>3,310,146</u>	<u>3,079,855</u>	<u>6,390,001</u>	<u>2,200,002</u>	<u>43,882,361</u>
Total Net Position	<u>\$ 41,319,122</u>	<u>\$ 30,441,175</u>	<u>\$ 71,760,297</u>	<u>\$ 4,093,472</u>	<u>\$ 94,774,768</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,084,911	\$ 126,023	\$ 466,080	\$ -
Public safety	8,552,772	1,920,028	1,893,880	-
Public works	4,496,180	712	440,690	1,007,264
Culture and recreation	3,020,825	210,515	8,760	53,606
Economic development	17,438	-	-	-
Transportation	390,622	50,704	330,289	-
Miscellaneous	2,668,706	80,100	-	-
Interest on long-term debt	193,573	-	-	-
Total Governmental Activities	<u>20,425,027</u>	<u>2,388,082</u>	<u>3,139,699</u>	<u>1,060,870</u>
Business-type Activities				
Garbage and refuse collection	2,346,970	2,829,801	1,216	-
Sewer operating and maintenance	2,942,362	3,817,525	1,383	206,789
Memorial building concessions	1,497	6,442	-	-
Total Business-type Activities	<u>5,290,829</u>	<u>6,653,768</u>	<u>2,599</u>	<u>206,789</u>
Total Primary Government	<u>\$ 25,715,856</u>	<u>\$ 9,041,850</u>	<u>\$ 3,142,298</u>	<u>\$ 1,267,659</u>
Component Unit				
EDA	\$ 334,968	\$ 90,355	\$ 406,480	\$ -
PUC	<u>29,181,930</u>	<u>27,050,564</u>	<u>159,048</u>	<u>33,119</u>
Total Component Units	<u>\$ 29,516,898</u>	<u>\$ 27,175,966</u>	<u>\$ 565,528</u>	<u>\$ 33,119</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Public Utilities Commission
Primary Government					
Governmental activities					
General government	\$ (492,808)	\$ -	\$ (492,808)	\$ -	\$ -
Public safety	(4,738,864)	-	(4,738,864)	-	-
Public works	(3,047,514)	-	(3,047,514)	-	-
Culture and recreation	(2,747,944)	-	(2,747,944)	-	-
Economic development	(17,438)	-	(17,438)	-	-
Transportation	(9,629)	-	(9,629)	-	-
Miscellaneous	(2,588,606)	-	(2,588,606)	-	-
Interest on long-term debt	(193,573)	-	(193,573)	-	-
Total Governmental Activities	<u>(13,836,376)</u>	<u>-</u>	<u>(13,836,376)</u>	<u>-</u>	<u>-</u>
Business-type Activities					
Garbage and refuse collection	-	484,047	484,047	-	-
Sewer operating and maintenance	-	1,083,335	1,083,335	-	-
Memorial building concessions	-	4,945	4,945	-	-
Total Business-type Activities	<u>-</u>	<u>1,572,327</u>	<u>1,572,327</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>(13,836,376)</u>	<u>1,572,327</u>	<u>(12,264,049)</u>	<u>-</u>	<u>-</u>
Component Unit					
EDA	-	-	-	161,867	-
PUC	-	-	-	-	(1,939,199)
Total Component Units	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,867</u>	<u>(1,939,199)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes	6,926,556	-	6,926,556	-	-
Property taxes, levied for specific purpose	3,171,677	-	3,171,677	233,069	-
Tax increments	-	-	-	69,647	-
Franchise taxes	130,129	-	130,129	-	-
Grants and contributions not restricted to specific programs	8,356,092	-	8,356,092	120	-
Unrestricted investment earnings	357,978	49,498	407,476	8,262	242,090
Gain on sale of capital assets	6,482	4,095	10,577	-	-
	<u>18,948,914</u>	<u>53,593</u>	<u>19,002,507</u>	<u>311,098</u>	<u>242,090</u>
Change in Net Position	5,112,538	1,625,920	6,738,458	472,965	(1,697,109)
Net Position, January 1	<u>36,206,584</u>	<u>28,815,255</u>	<u>65,021,839</u>	<u>3,620,507</u>	<u>96,471,877</u>
Net Position, December 31	<u>\$ 41,319,122</u>	<u>\$ 30,441,175</u>	<u>\$ 71,760,297</u>	<u>\$ 4,093,472</u>	<u>\$ 94,774,768</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Hibbing, Minnesota

Balance Sheet
Governmental Funds
December 31, 2020

	101	345		
	General	Other Post- Employment Benefits	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 24,690,038	\$ -	\$ 7,063,599	\$ 31,753,637
Designated cash - other postemployment benefits	-	5,280,458	-	5,280,458
Designated investments - other postemployment benefits	-	1,743,620	-	1,743,620
Receivables				
Taxes	293,805	3,480	25,925	323,210
Accounts	193,757	-	31,308	225,065
Accrued interest	59,274	4,088	-	63,362
Special assessments	-	-	138,620	138,620
Due from other governments	320,784	-	51,117	371,901
Due from other funds	38,000	-	-	38,000
Inventory	531	-	-	531
Prepaid items	336,029	-	8,924	344,953
Total Assets	\$ 25,932,218	\$ 7,031,646	\$ 7,319,493	\$ 40,283,357
Liabilities				
Accounts payable	\$ 170,123	\$ -	\$ 89,002	\$ 259,125
Due to other governments	205,248	-	46,068	251,316
Accrued salaries payable	311,920	-	11,068	322,988
Contracts payable	-	-	148,904	148,904
Unearned revenue	192,688	-	421,418	614,106
Other accrued liabilities	175,247	-	-	175,247
Total Liabilities	1,055,226	-	716,460	1,771,686
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	263,264	-	-	263,264
Unavailable revenue - special assessments	-	-	131,661	131,661
Total Deferred Inflows of Resources	263,264	-	131,661	394,925
Fund Balances				
Nonspendable	336,560	-	8,924	345,484
Restricted	83,151	-	3,583,592	3,666,743
Committed	-	7,031,646	2,425,553	9,457,199
Assigned	11,339,696	-	453,303	11,792,999
Unassigned	12,854,321	-	-	12,854,321
Total Fund Balances	24,613,728	7,031,646	6,471,372	38,116,746
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 25,932,218	\$ 7,031,646	\$ 7,319,493	\$ 40,283,357

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2020

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

Total Fund Balances - Governmental Funds	\$ 38,116,746
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.	
Cost of capital assets	91,333,311
Less accumulated depreciation	(52,830,772)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	214,982
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(3,845,000)
Plus unamortized bond premium	(233,892)
Purchase lease obligation	(162,518)
Compensated absences payable	(1,379,376)
Net pension liability	(7,733,133)
Other postemployment benefits payable	(25,422,612)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	263,264
Special assessments receivable	131,661
Governmental funds do not report a liability for accrued interest until due and payable.	(50,557)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	3,187,493
Deferred inflows of pension resources	(3,806,697)
Deferred outflows of other postemployment benefits resources	5,778,355
Deferred inflows of other postemployment benefits resources	(2,242,133)
Total Net Position - Governmental Activities	<u>\$ 41,319,122</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	101	345		
	General	Other Post- Employment Benefits	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,497,347	\$ 299,845	\$ 2,451,432	\$ 10,248,624
Licenses and permits	104,615	-	-	104,615
Intergovernmental	10,917,673	155	1,490,413	12,408,241
Charges for services	2,164,747	-	33,906	2,198,653
Fines and forfeitures	60,462	-	-	60,462
Special assessments	-	-	35,267	35,267
Investment earnings	228,383	97,068	32,527	357,978
Gifts and contributions	5,051	-	8,439	13,490
Miscellaneous	72,008	-	-	72,008
Total Revenues	<u>21,050,286</u>	<u>397,068</u>	<u>4,051,984</u>	<u>25,499,338</u>
Expenditures				
Current				
General government	1,887,257	-	-	1,887,257
Public safety	7,401,511	-	-	7,401,511
Public works	3,218,669	-	-	3,218,669
Culture and recreation	1,838,985	-	663,658	2,502,643
Economic development	17,438	-	-	17,438
Transportation	391,244	-	-	391,244
Miscellaneous	2,578,291	-	-	2,578,291
Capital outlay				
General government	70,756	-	113,226	183,982
Public safety	668,888	-	648,014	1,316,902
Public works	-	-	1,349,985	1,349,985
Culture and recreation	-	-	149,816	149,816
Miscellaneous	-	-	54,016	54,016
Debt service				
Principal	35,047	-	440,000	475,047
Interest and other	7,868	-	129,747	137,615
Bond issuance costs	-	-	55,729	55,729
Total Expenditures	<u>18,115,954</u>	<u>-</u>	<u>3,604,191</u>	<u>21,720,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,934,332</u>	<u>397,068</u>	<u>447,793</u>	<u>3,779,193</u>
Other Financing Sources (Uses)				
Transfers in	-	-	680,419	680,419
Transfers out	(169,676)	-	(510,743)	(680,419)
Principal paid on refunded bonds	-	-	(1,745,000)	(1,745,000)
Bonds issued	-	-	670,000	670,000
Refunding bonds issued	-	-	1,675,000	1,675,000
Premium on bonds issued	-	-	172,560	172,560
Sale of capital assets	-	-	6,482	6,482
Total Other Financing Sources (Uses)	<u>(169,676)</u>	<u>-</u>	<u>948,718</u>	<u>779,042</u>
Net Change in Fund Balances	2,764,656	397,068	1,396,511	4,558,235
Fund Balances, January 1	<u>21,849,072</u>	<u>6,634,578</u>	<u>5,074,861</u>	<u>33,558,511</u>
Fund Balances, December 31	<u>\$ 24,613,728</u>	<u>\$ 7,031,646</u>	<u>\$ 6,471,372</u>	<u>\$ 38,116,746</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$ 4,558,235
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	3,286,722
Depreciation expense	(2,476,677)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(129,674)
Depreciation on disposals	101,974
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Debt issued	(2,345,000)
Plus: premium received on debt issued	(172,560)
Principal repayments	2,220,047
Amortization of bond premium	3,588
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(3,817)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(150,234)
Other postemployment benefits	(262,976)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(20,262)
Special assessments	(22,965)
Long-term pension activity is not reported in governmental funds.	
Pension expense	451,165
Pension revenue from State contributions	74,972
Change in Net Position - Governmental Activities	<u>\$ 5,112,538</u>

The notes to the financial statements are an integral part of this statement.

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City of Hibbing, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 7,455,642	\$ 7,455,642	\$ 7,497,347	\$ 41,705
Licenses and permits	108,585	108,585	104,615	(3,970)
Intergovernmental	9,248,528	9,248,528	10,917,673	1,669,145
Charges for services	2,008,948	2,008,948	2,164,747	155,799
Fines and forfeitures	77,000	77,000	60,462	(16,538)
Investment earnings	100,000	100,000	228,383	128,383
Contributions and donations	15,106	15,106	5,051	(10,055)
Miscellaneous	82,191	82,191	72,008	(10,183)
Total Revenues	<u>19,096,000</u>	<u>19,096,000</u>	<u>21,050,286</u>	<u>1,954,286</u>
Expenditures				
Current				
General government	2,096,988	2,096,988	1,887,257	209,731
Public safety	7,773,012	7,773,012	7,401,511	371,501
Public works	3,552,045	3,552,045	3,218,669	333,376
Culture and recreation	2,331,433	2,331,433	1,838,985	492,448
Economic development	65,800	65,800	17,438	48,362
Transportation	478,449	478,449	391,244	87,205
Miscellaneous	2,580,647	2,580,647	2,578,291	2,356
Capital outlay				
General government	-	-	70,756	-
Public safety	-	-	668,888	-
Debt service				
Principal	35,050	35,050	35,047	3
Interest and other	7,900	7,900	7,868	32
Total Expenditures	<u>18,921,324</u>	<u>18,921,324</u>	<u>18,115,954</u>	<u>1,545,014</u>
Excess of Revenues Over Expenditures	174,676	174,676	2,934,332	2,759,656
Other Financing Sources (Uses)				
Transfers out	<u>(174,676)</u>	<u>(174,676)</u>	<u>(169,676)</u>	<u>5,000</u>
Net Change in Fund Balances	-	-	2,764,656	2,764,656
Fund Balances, January 1	<u>21,849,072</u>	<u>21,849,072</u>	<u>21,849,072</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 21,849,072</u>	<u>\$ 21,849,072</u>	<u>\$ 24,613,728</u>	<u>\$ 2,764,656</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Assets				
Current Assets				
Cash and temporary investments	\$ 4,592,829	\$ 713,887	\$ 7,477	\$ 5,314,193
Designated cash - other postemployment benefits	900,000	900,000	-	1,800,000
Designated investments - other postemployment benefits	60,000	60,000	-	120,000
Receivables				
Accounts	2,623	6,619	-	9,242
Special assessments	28,670	37,922	-	66,592
Due from other governments	-	190,545	-	190,545
Due from component units	217,384	318,283	-	535,667
Inventories	1,291	-	-	1,291
Prepaid items	17,310	14,460	-	31,770
Total Current Assets	5,820,107	2,241,716	7,477	8,069,300
Noncurrent Assets				
Capital assets				
Land	297,689	126,030	-	423,719
Buildings and improvements	135,104	32,745,707	-	32,880,811
Infrastructure	-	19,677,534	-	19,677,534
Machinery and equipment	3,275,921	2,275,957	29,597	5,581,475
Construction in progress	-	670,945	-	670,945
Less accumulated depreciation	(2,858,387)	(20,194,198)	(28,724)	(23,081,309)
Total Capital Assets (Net of Accumulated Depreciation)	850,327	35,301,975	873	36,153,175
Total Noncurrent Assets	850,327	35,301,975	873	36,153,175
Total Assets	6,670,434	37,543,691	8,350	44,222,475
Deferred Outflows of Resources				
Deferred pension resources	28,628	32,536	-	61,164
Deferred other postemployment benefits	550,753	358,690	-	909,443
Total Deferred Outflows of Resources	579,381	391,226	-	970,607

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Liabilities				
Current Liabilities				
Accounts payable	\$ 45,614	\$ 22,501	\$ -	\$ 68,115
Due to other governments	8,824	12,351	-	21,175
Accrued salaries payable	39,262	20,527	-	59,789
Accrued interest payable	-	78,302	-	78,302
Contracts payable	-	21,186	-	21,186
Due to other funds	-	38,000	-	38,000
Compensated absences payable - current	58,974	75,751	-	134,725
Bonds payable - current	-	1,212,000	-	1,212,000
Total Current Liabilities	152,674	1,480,618	-	1,633,292
Noncurrent Liabilities				
Compensated absences payable	40,893	71,709	-	112,602
Net Pension Liability	453,575	515,497	-	969,072
Bonds payable	-	7,579,855	-	7,579,855
Other postemployment benefits payable	2,423,110	1,578,102	-	4,001,212
Total Noncurrent Liabilities	2,917,578	9,745,163	-	12,662,741
Total Liabilities	3,070,252	11,225,781	-	14,296,033
Deferred Inflows of Resources				
Deferred pension resources	48,204	54,785	-	102,989
Deferred other postemployment benefits	213,705	139,180	-	352,885
Total Deferred Inflows of Resources	261,909	193,965	-	455,874
Net Position				
Net investment in capital assets	850,327	26,510,120	873	27,361,320
Unrestricted	3,067,327	5,051	7,477	3,079,855
Total Net Position	\$ 3,917,654	\$ 26,515,171	\$ 8,350	\$ 30,441,175

The notes to the financial statements are an integral part of this statement.

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City of Hibbing, Minnesota
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Operating Revenues				
Charges for services	\$ 2,827,354	\$ 3,802,585	\$ 6,442	\$ 6,636,381
Sewer connection fees	-	285	-	285
Miscellaneous	3,663	16,038	-	19,701
Total Operating Revenues	<u>2,831,017</u>	<u>3,818,908</u>	<u>6,442</u>	<u>6,656,367</u>
Operating Expenses				
Personnel services	797,172	648,146	-	1,445,318
OPEB expense	61,419	70,466	-	131,885
Pension expense	(52,668)	(39,475)	-	(92,143)
Contractual services	1,070,659	45,676	-	1,116,335
Utilities	73,280	250,953	-	324,233
Repairs and maintenance	16,478	84,612	-	101,090
Other supplies and expense	118,720	153,472	-	272,192
Insurance claims and expense	63,983	59,537	-	123,520
Depreciation	190,532	1,371,537	1,047	1,563,116
Miscellaneous	7,395	72,200	450	80,045
Total Operating Expenses	<u>2,346,970</u>	<u>2,717,124</u>	<u>1,497</u>	<u>5,065,591</u>
Operating Income	<u>484,047</u>	<u>1,101,784</u>	<u>4,945</u>	<u>1,590,776</u>
Nonoperating Revenues (Expenses)				
Investment earnings	41,985	7,452	61	49,498
Sale of capital assets	1,485	2,610	-	4,095
Bond issuance costs	-	(13,951)	-	(13,951)
Interest expense and other	-	(211,287)	-	(211,287)
Total Nonoperating Revenues (Expenses)	<u>43,470</u>	<u>(215,176)</u>	<u>61</u>	<u>(171,645)</u>
Income Before Contributions and Transfers	527,517	886,608	5,006	1,419,131
Intergovernmental capital grants	<u>-</u>	<u>206,789</u>	<u>-</u>	<u>206,789</u>
Change in Net Position	527,517	1,093,397	5,006	1,625,920
Net Position - January 1	<u>3,390,137</u>	<u>25,421,774</u>	<u>3,344</u>	<u>28,815,255</u>
Net Position, December 31	<u>\$ 3,917,654</u>	<u>\$ 26,515,171</u>	<u>\$ 8,350</u>	<u>\$ 30,441,175</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 2,831,642	\$ 3,809,533	\$ 6,442	\$ 6,647,617
Payments to suppliers	(1,346,201)	(641,021)	(450)	(1,987,672)
Payments to employees	(932,772)	(956,257)	-	(1,889,029)
Net Cash Provided by Operating Activities	552,669	2,212,255	5,992	2,770,916
Cash Flows from Noncapital Financing Activities				
Payments on interfund loan	-	(316,000)	-	(316,000)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(133,550)	(555,695)	-	(689,245)
Intergovernmental receipts	-	206,789	-	206,789
Proceeds from sales of capital assets	1,485	2,610	-	4,095
Proceeds of refunding bonds issued, net of issuance costs	-	629,910	-	629,910
Principal paid on long-term debt	-	(1,798,000)	-	(1,798,000)
Interest paid on long-term debt	-	(219,823)	-	(219,823)
Net Cash Used by Capital and Related Financing Activities	(132,065)	(1,734,209)	-	(1,866,274)
Cash Flows from Investing Activities				
Investment received	41,985	7,452	61	49,498
Net Increase in Cash and Cash Equivalents	462,589	169,498	6,053	638,140
Cash and Cash Equivalents, January 1	5,090,240	1,504,389	1,424	6,596,053
Cash and Cash Equivalents, December 31	<u>\$ 5,552,829</u>	<u>\$ 1,673,887</u>	<u>\$ 7,477</u>	<u>\$ 7,234,193</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and temporary investments	\$ 4,592,829	\$ 713,887	\$ 7,477	5,314,193
Designated cash - other post employment benefits	900,000	900,000	-	1,800,000
Designated investments - other post employment benefits	60,000	60,000	-	120,000
Statement of Net Position Cash and Cash Equivalents	<u>\$ 5,552,829</u>	<u>\$ 1,673,887</u>	<u>\$ 7,477</u>	<u>\$ 7,234,193</u>

The notes to the financial statements are an integral part of this statement.

City of Hibbing, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			Total
	603	602	605	
	Garbage and Refuse Collection	Sewer Operating and Maintenance	Non-major Memorial Building Concessions	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 484,047	\$ 1,101,784	\$ 4,945	1,590,776
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	190,532	1,371,537	1,047	1,563,116
(Increase) decrease in assets				
Accounts receivable	1,433	(176)	-	1,257
Special assessments receivable	413	2,158	-	2,571
Inventories	59	-	-	59
Prepaid items	2,010	3,720	-	5,730
Due from component units	(1,181)	(11,357)	-	(12,538)
Increase (Decrease) in deferred outflows				
Deferred pension resources	18,371	19,062	-	37,433
Deferred other postemployment benefits resources	(265,610)	(145,913)	-	(411,523)
Increase (decrease) in liabilities				
Accounts and other payables	3,844	32,712	-	36,556
Due to other governments	(1,599)	(11,003)	-	(12,602)
Accrued salaries payable	23,637	4,430	-	28,067
Unearned revenue	(40)	-	-	(40)
Compensated absences payable	(13,475)	19,388	-	5,913
Net pension liability	(1,925)	15,427	-	13,502
Other postemployment benefits payable	235,971	(53,965)	-	182,006
Increase in deferred inflows				
Deferred pension resources	(70,330)	(75,347)	-	(145,677)
Deferred other postemployment benefit resources	(53,488)	(60,202)	-	(113,690)
Net Cash Provided by Operating Activities	<u>\$ 552,669</u>	<u>\$ 2,212,255</u>	<u>\$ 5,992</u>	<u>\$ 2,770,916</u>
Schedule of Noncash Capital and Related Financing Activities				
Amortization of bond discount	\$ -	\$ 352	\$ -	\$ 352
Amortization of bond premium	-	2,709	-	2,709
Capital assets purchased on account	-	21,186	-	21,186

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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 allowed 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 was effective January 1, 2019. The City now has an Appointed City Clerk/Treasurer, an Elected Mayor, Elected Council for each of the four Wards, and two Elected At-Large Councilors.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Included in the City's reporting entity, based upon the application of these criteria, are the following discretely presented component units. The discretely presented component units are reported in separate columns in the government-wide financial statements.

Discretely Presented Component Units. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108. The EDA is a legally separate entity whose sole purpose is to assume primary responsibility for development activities with the city. The EDA does not prepare separate financial statements. The Public Utilities Commission (PUC) was created to provide water, electric power, natural gas and steam services to the City. The PUC issues complete financial statements and may be obtained from Hibbing Public Utilities Commission, 19th Street and East 6th Avenue, Hibbing, Minnesota 55746.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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 a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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 City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Other Post-Employment Benefits Debt Service fund* is used to account for all financial resources relating to the other post-employment benefits for retired employees.

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Garbage and Refuse Collection fund* accounts for costs associated with the City's solid waste system and ensure that user charges are sufficient to pay for those costs.

The *Sewer Operating and Maintenance fund* accounts for costs associated with the City's wastewater system and ensure that user charges are sufficient to pay for those costs.

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

The PUC's cash includes amounts on hand as well as in demand deposit and savings accounts.

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". Several funds and the component unit hold cash and investments separate from the cash and investment pool.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 61 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2020:

- Broker Certificates of Deposit, Commercial Paper and Municipal Bonds are valued using a matrix pricing model (Level 2 inputs).

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Policy

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 52 of the notes. The PUC does not have a policy that specifically addresses credit risk.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's formal deposit policy for custodial credit risk requires deposits to be insured by FDIC insurance or collateralized. The City's formal investment policy requires brokers to have Securities Investor Protector Insurance (SIPC) and excess SIPC coverage. As of December 31, 2020, the PUC did not have any investments exposed to custodial risk. The PUC's investment policy requires that an investment must be held by the PUC or its agent in the PUC's name and comply with Minnesota Statutes.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 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. The PUC did not hold any investments subject to credit risk as of December 31, 2020.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates 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. The PUC follows State Statutes for its policy.

The Minnesota Municipal Money Market (4M) Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and broker money market accounts operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

Designated Cash and Cash Equivalents and Designated Investments

The City's business type activities have designated assets totaling \$1,920,000 at December 31, 2020 (\$960,000 in the garbage and refuse collection fund and sewer operating and maintenance fund, respectively) to cover future OPEB liability costs. The \$1,920,000 in assets are to remain designated except in years when the business type funds have insufficient undesignated cash resources. Only with negative undesignated cash at year end may monies be transferred from the OPEB Designated Assets accounts. In a year where a transfer of monies is required, that transfer may not exceed that same calendar year's total net cash payments on the business type fund retiree health insurance premiums paid by the City. In subsequent years should the business type funds have any surplus of undesignated cash, the surplus will be transferred back into the OPEB Designated Assets to replenish the account back to the initial amount (\$960,000 respectively) or additional amounts if desired by the Council. Such transfer of excess funds in subsequent years will be mandatory for up to four consecutive years as needed to meet the \$960,000 level, and then be discontinued until such time as there again is a deficit in the undesignated cash at year end.

The OPEB Debt Service fund have designated cash and totaling \$7,024,078 .

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets of the EDA are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

Certain proceeds of the PUC general obligation revenue bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because their use is limited by statute and applicable bond covenants. The bond reserve account is used to segregate resources accumulated for future debt service payments.

The PUC also holds cash that is restricted for the following specific uses:

- Customer deposits - Refundable deposits paid by customers at inception of service.
- Fuel assistance recipients - Amounts received from a third party that are to be applied against utility bills for qualifying low income utility users.

Third parties also hold assets in escrow accounts on the PUC's behalf in conjunction with debt issues, as discussed in Note 3F.

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.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end and are reported net of allowance for uncollectible, which are established based on current collection experience.

The PUC's receivables are comprised of amounts due from customers, due from the PUC's joint venture, and other receivables which represent amounts due from transactions incurred in the normal course of operations.

Unbilled utility enterprise fund receivables are also included for services provided in 2020.

The PUC has an allowance for doubtful accounts of \$388,160 at December 31, 2020.

Note 1: Summary of Significant Accounting Policies (Continued)

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 one 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.

Interfund Receivables and Payables

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

Inventories

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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 acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing all capital assets. The City uses the modified approach for reporting gravel road 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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The City elects to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting of its gravel roads. 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

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, 2018, the City's gravel roads all rated at a Level 3.

The PUC adopted a formal capitalization policy effective for 2010, which was revised in 2018 to increase the capitalization threshold to \$10,000.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated 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. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General fund is typically used to liquidate governmental compensated absences.

Employees of the PUC may accumulate up to 180 days of sick leave. After ten years of service and upon termination of employment, employees are paid one-half of their unused accumulated sick leave. The remaining sick leave is available to employees only in the event of illness related absences.

Employees may also accrue vacation pay up to a maximum of 31 working days per year based on length of employment. A maximum of ten unused vacation days may be carried past the employee's anniversary date. No payments are given in lieu of vacation time.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are reported as an expense in the period incurred.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2019. The General fund and the OPEB debt service fund as needed are typically used to liquidate governmental other postemployment benefits payable.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Hibbing Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension asset.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

The total City pension expense for the GERF, PEPFF, PEDCP and Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Fire Relief Association	Total All Plans
	GERF	PEPFF	PEDCP		
Pension Expense	\$ 95,744	\$ 471,831	\$ 1,137	\$ 307,251	\$ 875,963

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: delinquent taxes, special assessments and loan receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the City and PUC have additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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 the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator and Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 50 to 65 percent of the following year's budgeted expenditures and transfers out.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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 budget was not amended for 2020.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System. The PUC's deposit policy for custodial credit risk requires compliance with provisions of state law.

Minnesota statutes require that all City and PUC 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, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$49,586 and the bank balance was \$279,296. The entire bank balance was covered by federal depository insurance.

At year end, the EDA's carrying amount of deposits was \$195,404 and the bank balance was \$195,904. The entire bank balance was covered by federal depository insurance.

At December 31, 2020, the carrying amount of the PUC's deposits was \$2,192,871 and the bank balance was \$1,969,775. At year end, the PUC's bank balances were fully covered by depository insurance or by collateral held in the PUC's name by the pledging financial institutions' correspondent banks.

Investments

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 1 year	\$ 21,597,388			
Broker Money Market	N/A	less than 1 year	1,205			
Non-pooled Investments						
Commercial Paper	AAA	less than 1 year	12,196,448	\$ -	\$ 12,196,448	\$ -
Brokered Certificates of Deposit	N/A	less than 1 year	11,029,888	-	11,029,888	-
Brokered Certificates of Deposit	N/A	1 to 5 years	1,984,655	-	1,984,655	-
U.S. government bonds FNMA/FHLMC	AAA	1 to 5 years	1,974,988	1,974,988	-	-
Total Investments			\$ 48,784,572	\$ 1,974,988	\$ 25,210,991	\$ -

At year end, the PUC's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Money Market Mutual Fund	N/A	less than 6 months	\$ 9,809,212			
Non-pooled Investments at Amortized Costs						
Bank Certificates of Deposit	N/A	less than 1 year	19,358,405			
Non-pooled Investments at Fair Value						
Municipal Bonds	AAA	less than 1 year	877,505		877,505	
Municipal Bonds	AA	less than 1 year	498,933		498,933	
Municipal Bonds	N/A	less than 1 year	499,900		499,900	
Total Investments			\$ 31,043,955	\$ -	\$ 1,876,338	\$ -

(1) Ratings are provided by Moody's and Standard & Poors where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

	Primary Government	Component Units		Total
		EDA	PUC	
Carrying Amount of Deposits	\$ 49,586	\$ 195,404	\$ 2,192,871	\$ 2,437,861
Investments	45,962,322	2,822,250	31,043,955	79,828,527
Amounts held in escrow accounts	-	-	348,805	348,805
Total	\$ 46,011,908	\$ 3,017,654	\$ 33,585,631	\$ 82,615,193
Statement of Net Position				
Cash and temporary investments	\$ 37,067,830	\$ 2,971,277	\$ 1,323,325	\$ 41,362,432
Restricted cash and temporary investments	-	46,377	-	46,377
Designated cash				
- other postemployment benefits	7,080,458	-	250,000	7,330,458
Investments	-	-	31,043,955	31,043,955
Designated investments				
- other postemployment benefits	1,863,620	-	-	1,863,620
Temporarily restricted assets				
Cash	-	-	619,546	619,546
Amounts held in escrow accounts	-	-	348,805	348,805
Total	\$ 46,011,908	\$ 3,017,654	\$ 33,585,631	\$ 82,615,193

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Primary Government

The City has elected to use the modified approach as defined by GASB Statement No. 34 for reporting of gravel roads. As a result, no accumulated depreciation or depreciation expense has been recorded for street infrastructure. Additional information of the modified approach is presented in the Notes to Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers out	Ending Balance
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 1,976,831	\$ 79,453	\$ (27,700)	\$ -	\$ 2,028,584
Intangible - easements	25,600	10,800	-	-	36,400
Artwork	2,119,350	-	-	-	2,119,350
Gravel roads	4,111,250	86,021	-	-	4,197,271
Construction in progress	998,625	452,615	(397,691)	-	1,053,549
Total Capital Assets not Being Depreciated	9,231,656	628,889	(425,391)	-	9,435,154
Capital Assets Being Depreciated					
Infrastructure	36,213,660	1,170,226	-	-	37,383,886
Building and improvements	29,382,525	276,997	-	-	29,659,522
Equipment, machinery and furniture	13,499,354	1,608,301	(101,974)	(150,932)	14,854,749
Total Capital Assets Being Depreciated	79,095,539	3,055,524	(101,974)	(150,932)	81,898,157
Less Accumulated Depreciation for					
Infrastructure	(22,324,460)	(972,996)	-	-	(23,297,456)
Building and improvements	(17,826,908)	(645,400)	-	-	(18,472,308)
Equipment, machinery and furniture	(10,455,633)	(858,281)	101,974	150,932	(11,061,008)
Total Accumulated Depreciation	(50,607,001)	(2,476,677)	101,974	150,932	(52,830,772)
Total Capital Assets Being Depreciated, Net	28,488,538	578,847	-	-	29,067,385
Governmental Activities Capital Assets, Net	<u>\$ 37,720,194</u>	<u>\$ 1,207,736</u>	<u>\$ (425,391)</u>	<u>\$ -</u>	<u>\$ 38,502,539</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities	
General Government	\$ 227,924
Public Safety	395,699
Public Works, including depreciation of general infrastructure assets	1,323,638
Culture and Recreation	487,132
Miscellaneous	42,284
Total Depreciation Expense - Governmental Activities	<u>\$ 2,476,677</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Transfers in	Ending Balance
Business-type Activities					
Capital Assets not Being Depreciated					
Land	\$ 423,719	\$ -	\$ -	\$ -	\$ 423,719
Construction in progress	351,711	518,589	(199,355)	-	670,945
Total Capital Assets not Being Depreciated	775,430	518,589	(199,355)	-	1,094,664
Capital Assets Being Depreciated					
Infrastructure	19,677,534	-	-	-	19,677,534
Buildings and improvements	32,880,811	-	-	-	32,880,811
Equipment, machinery and furniture	5,590,036	326,128	(485,621)	150,932	5,581,475
Total Capital Assets Being Depreciated	58,148,381	326,128	(485,621)	150,932	58,139,820
Less Accumulated Depreciation for					
Infrastructure	(3,248,511)	(485,773)	-	-	(3,734,284)
Buildings and improvements	(14,172,340)	(779,909)	-	-	(14,952,249)
Equipment, machinery and furniture	(4,432,031)	(297,434)	485,621	(150,932)	(4,394,776)
Total Accumulated Depreciation	(21,852,882)	(1,563,116)	485,621	(150,932)	(23,081,309)
Total Capital Assets Being Depreciated, Net	36,295,499	(1,236,988)	-	-	35,058,511
Business-type Activities Capital Assets, Net	<u>\$ 37,070,929</u>	<u>\$ (718,399)</u>	<u>\$ (199,355)</u>	<u>\$ -</u>	<u>\$ 36,153,175</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities	
Garbage and Refuse Collection	\$ 190,532
Sewer Operating and Maintenance	1,371,537
Memorial Building Concessions	<u>1,047</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,563,116</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 130,865	\$ -	\$ -	\$ 130,865
Construction in progress	6,880	-	-	6,880
Total Capital Assets not Being Depreciated	<u>137,745</u>	<u>-</u>	<u>-</u>	<u>137,745</u>
Capital Assets Being Depreciated				
Infrastructure	19,699	-	-	19,699
Buildings and improvements	<u>568,397</u>	<u>-</u>	<u>-</u>	<u>568,397</u>
Total Capital Assets Being Depreciated	<u>588,096</u>	<u>-</u>	<u>-</u>	<u>588,096</u>
Less Accumulated Depreciation for				
Buildings and improvements	(9,473)	(14,210)	-	(23,683)
Equipment, machinery and furniture	<u>(5,910)</u>	<u>(657)</u>	<u>-</u>	<u>(6,567)</u>
Total Accumulated Depreciation	<u>(15,383)</u>	<u>(14,867)</u>	<u>-</u>	<u>(30,250)</u>
Total Capital Assets Being Depreciated, Net	<u>572,713</u>	<u>(14,867)</u>	<u>-</u>	<u>557,846</u>
Component Unit Activities				
Capital Assets, Net	<u>\$ 710,458</u>	<u>\$ (14,867)</u>	<u>\$ -</u>	<u>\$ 695,591</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - PUC

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Construction in progress	\$ 1,119,979	\$ 153,290	\$ -	\$ 1,273,269
Capital Assets Being Depreciated				
Building and grounds	9,831,284	130,180	-	9,961,464
Production equipment	63,384,972	1,534,126	-	64,919,098
Transmission and distribution system	53,560,289	256,665	-	53,816,954
Equipment, machinery and furniture	4,173,170	399,955	-	4,573,125
Total Capital Assets Being Depreciated	130,949,715	2,320,926	-	133,270,641
Less total accumulated depreciation	(79,658,684)	(3,459,803)	-	(83,118,487)
Total Capital Assets Being Depreciated, Net	51,291,031	(1,138,877)	-	50,152,154
Component Unit Activities				
Capital Assets, Net	<u>\$ 52,411,010</u>	<u>\$ (985,587)</u>	<u>\$ -</u>	<u>\$ 51,425,423</u>

Construction Projects and Commitments

The City has active construction projects as of December 31, 2020. At year end, the commitments with the contractors for these project are as follows:

Project	Spent to Date	Remaining Commitment
Permanent Improvement Fund		
Mineview Project	\$ 884,952	\$ 14,579

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. 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 \$321,878 for the year ended December 31, 2020. The future payments for these leases are as follows:

Year Ending December 31,	Amount
2021	\$ 129,103
2022	28,576
2023	20,582
2024	17,051
2025	10,130
2026 - 2028	29,190
Total	<u>\$ 234,632</u>

D. Intangible Asset - Service Concession Arrangement

The PUC entered into a facility reimbursement agreement with Northern Natural Gas Company that required the PUC to provide funding for the upgrade to natural gas facilities providing services to the PUC. The construction costs for the upgrades were paid for by the PUC but ownership and operation of the facilities will remain with Northern. The facilities were substantially complete at the end of 2019. As of December 31, 2020, total costs incurred were \$2,764,688. The cost are being amortized over a period of 33 years and as of December 31, 2020 total costs, net of amortization were \$2,743,744.

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Receivable Fund	Payable Fund	Amount
Primary Government General	Primary Government Sewer Operating and Maintenance	<u>\$ 38,000</u>
Primary Government Garbage and Refuse Sewer Operating	Discretely presented component unit Public Utilities Commission Public Utilities Commission	<u>\$ 217,384</u> <u>318,283</u>
Total		<u>\$ 535,667</u>

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 for 2017 and 2018. During 2019, the remittance period decreased back to 30 days.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

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. An additional \$1,300,000 in borrowing occurred during 2017 related to the City's temporary financing of a large storm water infrastructure project primarily completed in 2017. In 2018, the City issued bonds for this 2017 project completed in 2018. During 2018, the Sewer Fund repaid the General Fund \$1,546,000 for costs borrowed on the 2017/2018 sewer improvement project. During 2020, the Sewer Fund repaid the General Fund \$316,000. The remaining \$38,000 balance due to the General Fund will continue to be carried between the funds. The sewer fund is scheduled to repay the remaining \$38,000 in 2021.

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.

Interfund Transfers

The composition of primary government interfund transfers for the year ended December 31, 2020 is as follows:

Fund	Transfers in Nonmajor Governmental
Transfers Out	
General	\$ 169,676
Nonmajor governmental	510,743
	<hr/>
Total Transfers Out	\$ 680,419
	<hr/>

The City annually budgets transfers for specific purposes. Annual transfers include (1) eliminate deficit fund balances and help fund operating losses or deficits and (2) allocate debt service related fund balance to separate funds from the Nonmajor Capital fund.

F. Long-term Debt

Primary Government

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for governmental activities. G.O. bonds are direct obligations and pledge the full faith and credit of the City. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental Activities					
2012A G.O. Certificates	\$ 1,890,000	0.40 - 1.70 %	02/01/12	02/01/32	\$ 245,000
2013A G.O. Certificates	3,585,000	2.00 - 3.50	11/01/13	02/01/29	215,000
2018A G.O. Certificates	1,150,000	3.00 - 4.00	12/20/18	02/01/29	1,040,000
2020A G.O. Certificates	60,000	1.68	11/24/20	02/01/23	60,000
2020A G.O. Certificates	1,615,000	1.24	11/24/20	02/01/29	1,615,000
2020A G.O. Certificates	670,000	1.35	11/24/20	02/01/30	670,000
					<hr/>
Total General Obligation Bonds					\$ 3,845,000
					<hr/>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 460,000	\$ 110,585	\$ 570,585
2022	545,000	88,158	633,158
2023	430,000	74,645	504,645
2024	405,000	62,995	467,995
2025	390,000	51,945	441,945
2026 - 2030	1,615,000	99,305	1,714,305
Total	<u>\$ 3,845,000</u>	<u>\$ 487,633</u>	<u>\$ 4,332,633</u>

Lease Purchase Obligation

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..

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Animal Shelter Lease Purchase Obligation	\$ 462,500	1.75 - 4.50 %	05/07/09	02/01/24	<u>\$ 162,518</u>

Annual debt service requirements to maturity for the lease purchase obligation as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 37,150	\$ 6,351	\$ 43,501
2022	39,379	4,705	44,084
2023	41,742	2,920	44,662
2024	46,230	996	47,226
Total	<u>\$ 164,501</u>	<u>\$ 14,972</u>	<u>\$ 179,473</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds and Notes

The following bonds and notes were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from enterprise funds and are backed by the taxing power of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

						Sewer
						<hr/>
Operating Revenues						\$ 3,818,908
Principal and Interest						607,823
Percentage of Revenues						628 %
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
2012A General Obligation Bond	\$ 1,010,000	0.40 - 2.85 %	02/01/12	02/01/32	\$ 45,000	
2018A General Obligation Bond	3,460,000	3.00 - 4.00	12/20/18	02/01/39	3,275,000	
2020A General Obligation Bond	610,000	1.91	11/24/20	02/01/32	610,000	
Total G.O. Revenue Bonds					<u>\$ 3,930,000</u>	
Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	
2003 Sewer Revenue Notes	\$ 9,847,450	1.74 %	01/29/03	08/20/22	\$ 1,208,000	
2010 Sewer Revenue Notes	1,726,575	1.34	11/30/10	08/20/25	546,000	
2012 Sewer Revenue Notes	4,912,830	1.00	10/23/12	08/20/31	2,974,954	
Total G.O. Revenue Notes					<u>\$ 4,728,954</u>	

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 250,000	\$ 134,730	\$ 384,730
2022	265,000	121,989	386,989
2023	265,000	112,401	377,401
2024	280,000	102,514	382,514
2025	290,000	92,064	382,064
2026 - 2030	1,275,000	321,559	1,596,559
2031 - 2035	730,000	176,048	906,048
2036 - 2039	575,000	47,300	622,300
Total	<u>\$ 3,930,000</u>	<u>\$ 1,108,605</u>	<u>\$ 5,038,605</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Annual debt service requirements to maturity for G.O. revenue notes are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 962,000	\$ 58,085	\$ 1,020,085
2022	977,000	43,672	1,020,672
2023	372,000	29,028	401,028
2024	376,000	24,938	400,938
2025	380,000	20,800	400,800
2026 - 2030	1,381,000	55,758	1,436,758
2031	280,954	2,810	283,764
Total	<u>\$ 4,728,954</u>	<u>\$ 235,091</u>	<u>\$ 4,964,045</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 3,685,000	\$ 2,345,000	\$ (2,185,000)	\$ 3,845,000	\$ 460,000
Unamortized Premium on Bonds	64,920	172,560	(3,588)	233,892	-
Total Bonds Payable	3,749,920	2,517,560	(2,188,588)	4,078,892	460,000
Lease purchase obligation	197,565	-	(35,047)	162,518	37,150
Compensated absences payable	1,229,142	384,824	(234,590)	1,379,376	250,353
Governmental Activity Long-term Liabilities	<u>\$ 5,176,627</u>	<u>\$ 2,902,384</u>	<u>\$ (2,458,225)</u>	<u>\$ 5,620,786</u>	<u>\$ 747,503</u>
Business-type Activities					
Bonds Payable					
G.O. revenue notes	\$ 5,676,954	\$ -	\$ (948,000)	\$ 4,728,954	\$ 962,000
G.O. revenue bonds	4,170,000	610,000	(850,000)	3,930,000	250,000
Unamortized Discount on Bonds	(4,244)	-	352	(3,892)	-
Unamortized Premium on Bonds	105,641	33,861	(2,709)	136,793	-
Total Bonds Payable	9,948,351	643,861	(1,800,357)	8,791,855	1,212,000
Compensated Absences Payable	241,414	230,296	(224,383)	247,327	134,725
Business-type Activity Long-term Liabilities	<u>\$ 10,189,765</u>	<u>\$ 874,157</u>	<u>\$ (2,024,740)</u>	<u>\$ 9,039,182</u>	<u>\$ 1,346,725</u>

Current Refunding

On November 6, 2020, the City issued \$2,955,000 of 2020A G.O. Bonds. The bonds bear an average coupon rate of 2.25 percent and were used to call \$620,000 of the outstanding principal of the 2012A G.O. Bonds and \$1,745,000 of the 2013A G.O. Bonds. As a result of the refunding issue, the City will save \$497,302 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$101,703.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit - EDA

G.O. Tax Increment Bonds

The following bond was issued for a redevelopment project for the EDA. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt:

	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2014A G.O. Tax Increment Refunding Bonds	\$ 830,000	4.00 - 5.25 %	02/01/14	02/01/36	\$ 765,000
2020B G.O. Tax Increment Refunding Bonds	765,000	4.00 - 5.25	11/01/20	11/01/36	765,000
Total General Obligation Bonds					<u>\$ 1,530,000</u>

Annual debt service requirements to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Economic Development Authority		
	Principal	Interest	Total
2021	\$ 765,000	\$ 34,791	\$ 799,791
2022	40,000	11,360	51,360
2023	45,000	11,148	56,148
2024	50,000	10,848	60,848
2025	50,000	10,473	60,473
2026 - 2030	255,000	43,579	298,579
2031 - 2035	270,000	20,926	290,926
2036	55,000	619	55,619
Total	<u>\$ 1,530,000</u>	<u>\$ 143,744</u>	<u>\$ 1,673,744</u>

Loans Payable

The EDA entered into a loan agreement with the State of Minnesota Department of Iron Range Resources and Rehabilitation on 2/22/2019 in an amount of \$600,000 to purchase land and a commercial building in the City of Hibbing that is intended to be leased to a tenant. The loan matures on 2/22/2039, at which the full \$600,000 is due. The annual interest rate for this loan is 0% up to the due date and 8% thereafter for any amount not paid. Annual payments are based on collected net operating revenues and vary annually depending on the net operating revenues collected.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - EDA					
Bonds Payable					
G.O. Tax Increment bonds	\$ 790,000	\$ 765,000	\$ (25,000)	\$ 1,530,000	\$ 765,000
G.O. Revenue bonds	197,565	-	(197,565)	-	-
Unamortized bond discount	(6,847)	-	1,711	(5,136)	-
Total Bonds Payable	980,718	765,000	(220,854)	1,524,864	765,000
Loan Payable	600,000	-	(28,212)	571,788	-
Discretely Presented Component Unit Long-term Liabilities	<u>\$ 1,580,718</u>	<u>\$ 765,000</u>	<u>\$ (249,066)</u>	<u>\$ 2,096,652</u>	<u>\$ 765,000</u>

Current Refunding

On November 6, 2020, the City issued \$765,000 of 2020B Taxable G.O. Tax Increment Refunding Bonds. The bonds bear an average coupon rate of 2.25 percent and were used to call \$735,000 of the outstanding principal of the 2014A Taxable G.O. Tax Increment Bonds. As a result of the refunding issue, the City will save \$222,686 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$104,842.

Discretely Presented Component Unit – PUC

G.O. Revenue Bonds and Notes

The following bonds and notes were issued to finance capital improvements in the PUC. They will be repaid from future revenues pledged from the PUC.

Description	Authorized and Issued	Interest Rate	Issue Year	Maturity Date	Balance at Year End
2005A Public Utilities Revenue Note	2,030,000	4.14	2005	12/31/25	<u>\$ 695,000</u>

Annual debt service requirements to maturity for G.O. revenue bonds and notes are as follows:

Year Ending December 31,	PUC		
	Principal	Interest	Total
2021	\$ 125,000	\$ 34,348	\$ 159,348
2022	130,000	27,988	157,988
2023	140,000	21,363	161,363
2024	145,000	14,374	159,374
2025	155,000	6,984	161,984
Total	<u>\$ 695,000</u>	<u>\$ 105,057</u>	<u>\$ 800,057</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Discretely Presented Component Unit - PUC					
Bonds, notes and real					
estate mortgage payable	\$ 3,252,608	\$ -	\$ (2,557,608)	\$ 695,000	\$ 125,000
Unamortized Discount on Bonds	(8,249)	-	1,394	(6,855)	-
Total Bonds Payable	3,244,359	-	(2,556,214)	688,145	125,000
Compensated absences payable	880,889	-	(21,749)	859,140	-
 Discretely Presented Component Unit Long-term Liabilities	 \$ 4,125,248	 \$ -	 \$ (2,577,963)	 \$ 1,547,285	 \$ 125,000

The terms of Revenue Note 2005A called for the proceeds of the note to be placed in an escrow account. As funds were expected, the PUC submitted requests to the escrow agent to draw down on the account. The remaining funds are to be held in an escrow account until the maturity date of the bond. As of December 31, 2020, the account had a balance of \$348,805.

The terms of Revenue Note 2015A also called for the proceeds of the note to be placed in an escrow account. As funds were expected, the PUC submitted requests to the escrow agent to draw down on the account. As of December 31, 2016, the available funds had been drawn down to zero. The remaining funds were to be held in escrow until the maturity of the note. In 2020 the note was paid in full and the escrow account proceeds were remitted to the Commission.

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 issued a hospital equipment revenue note pursuant to Minnesota Statute Sections §469.152 through §469.1655. The purpose of the note is to help a Minnesota nonprofit corporation obtain equipment to install at Fairview Range Medical Center in Hibbing. The non-profit corporation is obligated to repay the note directly to the lender of the note as stated in the loan agreement between the City of Hibbing and the lender. The note does not constitute a charge, lien, or encumbrance upon any property of the City. This agreement shall terminate upon the earlier of: defeasance of the obligations; final maturity and payment of the obligations; or payment in full of the obligations prior to their final maturity.

The City has issued 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.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

The amount payable at December 31, 2020:

Issuer	Amount
City of Buhl (St Francis Health Services)	\$ 6,338,442
Central Minnesota Diagnostic, Inc	1,542,471
Minnesota Diversified Industries Project	2,257,248

G. Components of Fund Balance

At December 31, 2020, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Other Post- Employment Benefits	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable prepaid and inventory items	\$ 336,560	\$ -	\$ 8,924	\$ 345,484
Restricted for				
Covid-19	\$ 83,151	\$ -	\$ -	83,151
Debt service	-	-	842,574	842,574
Capital equipment and improvements	-	-	2,741,018	2,741,018
Total Restricted	\$ 83,151	\$ -	\$ 3,583,592	\$ 3,666,743
Committed to				
Housing incentive	\$ -	\$ -	\$ 51,688	\$ 51,688
Small Cities development	-	-	26,526	26,526
Economic development	-	-	84,853	84,853
Library	-	-	83,272	83,272
OPEB obligation	-	7,031,646	-	7,031,646
Memorial Building	-	-	26,358	26,358
Capital equipment and improvements	-	-	2,152,856	2,152,856
Total Committed	\$ -	\$ 7,031,646	\$ 2,425,553	\$ 9,457,199
Assigned to				
2021 budget	\$ 10,349,753	\$ -	\$ -	\$ 10,349,753
Future capital projects funded from sale of assets	514,853	-	-	514,853
Workers' compensation premium adjustments	475,090	-	-	475,090
Other improvement projects	-	-	453,303	453,303
Total Assigned	\$ 11,339,696	\$ -	\$ 453,303	\$ 11,792,999

Note 4: Defined Benefit Pension Plans - Statewide

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.

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

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

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ending December 31, December 31, 2020, 2019 and 2018 were \$351,886, \$359,605 and \$359,498, respectively. The City's contributions were equal to the required contributions for each year as set by state statute. The PUC's contributions to the General Employees Fund for the year ending December 31, December 31, 2020, were \$361,2017. The PUC's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 were \$709,410, \$659,645 and \$585,350, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$3,945,010 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$121,598. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0658 percent which was a decrease of (0.0027) percent from its proportion measured as of June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$ 3,945,010
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>121,598</u>
Total	<u><u>\$ 4,066,608</u></u>

For the year ended December 31, 2020, the City recognized pension expense of \$85,161 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized \$10,583 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2020, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 45,568	\$ 15,856
Changes in Actuarial Assumptions	3,948	154,251
Net Difference Between Projected and Actual Earnings on Plan Investments	22,573	-
Changes in Proportion	-	249,153
Contributions Paid to PERA Subsequent to the Measurement Date	176,905	-
Total	<u>\$ 248,994</u>	<u>\$ 419,260</u>

The \$176,905 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (392,940)
2022	(82,911)
2023	33,368
2024	95,312

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$4,759,684 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.3611 percent which was an increase of 0.0202 percent from its proportionate share measured as of June 30, 2019.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized negative pension expense of \$2,551,951 for its proportionate share of Police and Fire Plan's pension expense.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$34,497 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 240,247	\$ 229,483
Changes in Actuarial Assumptions	1,704,379	3,043,659
Net Difference Between Projected and Actual Earnings on Plan Investments	167,604	-
Changes in Proportion	375,917	178,349
Contributions Paid to PERA Subsequent to the Measurement Date	364,955	-
Total	<u>\$ 2,853,102</u>	<u>\$ 3,451,491</u>

The \$364,955 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (293,219)
2022	(1,220,510)
2023	219,945
2024	269,992
2025	60,448

Employees Fund Pension Costs - Discretely Presented Component Unit - PUC

At December 31, 2020, the PUC reported a liability of \$3,897,047 for its proportionate share of the General Employees Fund's net pension liability. The PUC's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund. 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 PUC totaled \$120,163. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The PUC's proportion of the net pension liability was based on the PUC's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the PUC's proportionate share was 0.0650 percent which was a decrease of 0.0696 percent from its proportion measured as of June 30, 2019.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 3,897,047
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>120,163</u>
Total	<u><u>\$ 4,017,210</u></u>

For the year ended December 31, 2020, the PUC recognized pension expense of \$(612,285) for its proportionate share of General Employees Plan's pension expense. In addition, the PUC recognized \$10,458 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, the PUC reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 38,229	\$ 14,745
Changes in Actuarial Assumptions	-	155,765
Net Difference Between Projected and Actual Earnings on Plan Investments	-	17,101
Changes in Proportion	-	543,440
Contributions Paid to PERA Subsequent to the Measurement Date	<u>176,659</u>	<u>-</u>
Total	<u><u>\$ 214,888</u></u>	<u><u>\$ 731,051</u></u>

The \$176,659 reported as deferred outflows of resources related to pensions resulting from the PUC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (599,358)
2022	(198,539)
2023	10,921
2024	94,154

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2020 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 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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	36.00 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.00	5.30
Cash Equivalents	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's and PUC'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 and PUC'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:

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 6,322,484	\$ 3,945,010	\$ 1,983,786
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
Police and Fire Fund	\$ 9,486,736	\$ 4,759,684	\$ 848,877
	PUC Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 6,245,615	\$ 3,897,047	\$ 1,959,667

H. 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.

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

Five City Council members of the City and also the PUC Commission board members are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by 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, therefore, there is no future liability to the employer. *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. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 5: Defined Contribution Plan (Continued)

Total contributions made by the City and the PUC during the fiscal year 2020 were:

City Defined Contribution Plan Contributions				
Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,137	\$ 1,137	5.00%	5.00%	5.00%
PUC Defined Contribution Plan Contributions				
Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 570	\$ 570	5.00%	5.00%	5.00%

The City's contributions to the DCP for the years ended December 31, 2020, 2019 and 2018 were \$1,137, \$1,139 and \$1,197, respectively.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the Hibbing Fire Department (the Department) are covered by a defined benefit plan administered by the Hibbing Volunteer Fire Department Relief Association (the Association). As of December 31, 2019, the plan covered 13 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

B. Benefits Provided

A fire fighter is entitled to a full-service pension upon retirement at the later of age 50 or after completion of 20 years of service.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$83,016 and \$77,890 in 2020 and 2019, respectively, in fire state aid to the plan on behalf of the City Fire Department, which was recorded as a revenue within the City's financial statements. Required employer contributions are calculated annually based on statutory provisions. The City's had no statutorily-required contributions to the plan for the year ended December 31, 2020.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2020, the City reported a net pension asset of (\$214,982) for the plan. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Gabriel, Roeder, Smith & Company applying an actuarial formula to specific census data certified by the Department as of December 31, 2019.

For the year ended December 31, 2020, the City recognized pension expense of (\$15,249).

At December 31, 2020, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 51,735	\$ 16,290
Changes in Actuarial Assumptions	39	-
Net Difference Between Projected and Actual Earnings on Plan Investments	11,928	22,910
Contributions to Plan Subsequent to the Measurement Date	<u>83,016</u>	<u>-</u>
Total	<u>\$ 146,718</u>	<u>\$ 39,200</u>

Deferred outflows of resources totaling \$83,016 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ 9,057
2022	9,529
2023	3,565
2024	8,766
2025	(2,459)
Thereafter	(3,956)

E. Actuarial Assumptions

The total pension liability at December 31, 2020 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Cost of Living Increases	3.00% per year
Investment Rate of Return	5.00%
20-Year Municipal Bond Yield	2.00%

There were no changes in actuarial assumptions in 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	53.00 %	7.60 %
International Equity	17.00	5.20
Fixed Income	25.00	1.15
Cash and Equivalents	5.00	0.25
Total	<u>100.00 %</u>	

F. 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 contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension Asset Sensitivity

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Hibbing Fire Department Relief Association, 1009 W Lincoln Ave, Hibbing, MN 56277.

	1 Percent Decrease (4.0%)	Current (5.0%)	1 Percent Increase (6.0%)
Defined Benefit Plan	\$ (209,998)	\$ (214,982)	\$ (219,616)

I. Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota statutes, chapter 11a and chapter 353g.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 7: 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 2020, 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 8: Postemployment Benefits Other Than Pensions

Primary Government

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. 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. The Plan does not issue a publicly available report.

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. For the year 2019, the City indirectly contributed \$1,445,168 to the plan.

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	206
Active Plan Members	132
	<hr/>
Total Plan Members	338
	<hr/> <hr/>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 8: Postemployment Benefits other than Pensions (Continued)

B. Actuarial Methods and Assumptions

The City's total OPEB liability of \$29,423,824 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.74%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	2.74%
Inflation Rate	2.74%
Medical Trend Rate	3.50% for FY2020, gradually increasing to 3.80% in FY2075

The discount rate used to measure the total OPEB liability was 2.74 percent.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

The actuarial assumptions used in the January 1, 2020 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

C. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2019	<u>\$ 25,621,555</u>
Changes for the Year:	
Service cost	258,942
Interest	1,026,040
Changes in assumptions or other inputs	4,244,880
Benefit payments	<u>(1,727,593)</u>
Net Changes	<u>3,802,269</u>
Balances at December 31, 2020	<u><u>\$ 29,423,824</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was updated as of December 31, 2019 to 2.74%
- The health assumptions have been updated based on recent experience and future expectations.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 8: Postemployment Benefits other than Pensions (Continued)

D. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.74 percent) or 1-percentage-point higher (3.74 percent) than the current discount rate:

1 Percent Decrease (1.74%)	Current (2.74%)	1 Percent Increase (3.74%)
\$ 33,371,938	\$ 29,423,824	\$ 26,197,059

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (3.50 percent decreasing to 2.10 percent) or 1-percentage-point higher (5.50 percent increasing to 4.10 percent) than the current discount rate:

1 Percent Decrease (3.5% Decreasing to 2.1%)	Healthcare Cost Trend Rates (4.5% Decreasing to 3.1%)	1 Percent Increase (5.5% Decreasing to 4.1%)
\$ 25,861,925	\$ 29,423,824	\$ 33,810,675

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of \$1,445,168. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 944,485	\$ -
Changes in Actuarial Assumptions	4,298,145	2,595,018
Contributions to OPEB Subsequent to the Measurement Date	1,445,168	-
Total	<u>\$ 6,687,798</u>	<u>\$ 2,595,018</u>

Deferred outflows of resources totaling \$1,445,168 related to OPEB resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in OPEB expense as follows:

Year Ended December 31:	
2021	\$ 461,599
2022	461,599
2023	461,599
2024	461,599
2025	276,657
Thereafter	524,559

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 8: Postemployment Benefits other than Pensions (Continued)

Discretely Presented Component Unit - PUC

F. Plan Description

The PUC provides health care and dental insurance benefits for retired PUC employees. PUC employees become eligible for such benefits upon retirement. During the year ended December 31, 2020, the PUC expended approximately \$881,213 on benefits for approximately 87 retirees.

G. Actuarial Assumptions

The total OPEB liability was determined using an actuarial valuation date of January 1, 2019 and a measurement date of December 31, 2020. The following assumptions were used in the valuation:

Discount Rate	2.12%
Index Rate	2.12% using 20 year tax exempt municipal bond rate
Inflation Rate	2.60%
Mortality	Mortality rates were based on Pub-2010 Mortality table with generational projection per the MP 2014 ultimate scale
Health Care Cost Trend Rate	6.70% - 3.90% over 54 years

H. Changes in the Total OPEB Liability

The PUC's total OPEB liability of \$21,358,657 was measured as of December 31, 2019. Changes in the total OPEB liability is as follows:

	<u>Total OPEB Liability</u>
Balances at December 31, 2019	<u>\$ 19,264,407</u>
Changes for the Year:	
Service cost	561,246
Interest cost	531,232
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,882,985
Benefit payments	(881,213)
Net Changes	<u>2,094,250</u>
Balances at December 31, 2020	<u><u>\$ 21,358,657</u></u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 8: Postemployment Benefits other than Pensions (Continued)

I. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the PUC, as well as what the PUC's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.12 percent) or 1-percentage-point higher (3.12 percent) than the current discount rate:

1% Decrease 1.12%	Current 2.12%	1% Decrease 3.12%
\$ 25,017,228	\$ 21,358,657	\$ 18,443,008

The following presents the total OPEB liability of the PUC, as well as what the PUC's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.7 percent decreasing to 2.9 percent) or 1-percentage-point higher (7.7 percent increasing to 4.9 percent) than the current discount rate:

1% Decrease (5.7% Decreasing to 2.9%)	Healthcare Cost Trend Rates (6.7% Decreasing to 3.9%)	1% Increase (7.7% Decreasing to 4.9%)
\$ 17,924,865	\$ 21,358,657	\$ 25,805,493

J. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

1% Decrease 1.12%	Current 2.12%	1% Decrease 3.12%
\$ 25,017,228	\$ 21,358,657	\$ 18,443,008

For the year ended December 31, 2020, the PUC recognized OPEB expense of \$1,002,438. At December 31, 2020, the PUC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,520,793
Changes in Actuarial Assumptions	3,863,705	780,313
Total	<u>\$ 3,863,705</u>	<u>\$ 3,301,106</u>

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in OPEB expense as follows:

Year Ended December 31:

2021	\$ (90,040)
2022	(90,040)
2023	193,711
2024	264,648
2025	284,320
Thereafter	-

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 9: Equity in Joint Venture

Component Unit - Hibbing Public Utilities Commission

The PUC 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 Xcel Energy, as well as to supply steam to existing customers of the Hibbing and Virginia Public Utilities Commissions.

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

In 2018, the Authority entered into a termination agreement with Northern States Power to cease providing bio massed produced power to Northern States Power. In conjunction with the termination agreement, Northern States Power agreed to pay the Authority \$108,500,000 divided into six annual payments. In addition to those payments, the Authority is scheduled to receive annual payments of \$6,800,000 through 2021. Two of those scheduled payments were received in 2018.

In 2019, the Authority agreed to transfer ownership of its power production assets to each of its two members. The PUC's share of those assets totaled \$21,110,979 which represented the Authority's remaining book value of those assets. Also during the year, the Authority distributed equity payments to its two members. The PUC received \$12,441,667 from the Authority in 2020 and 2019.

As of December 31, 2020, the Commission has reported on its balance sheet an investment of \$31,705,259 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 PUC 's Director of Finance. The following represents information reflected in the Authority's financial statements:

Current Assets	\$ 24,965,771
Other Assets	36,166,668
Capital Assets	1,295,261
Total Assets	<u>62,427,700</u>
Current Liabilities	<u>6,163</u>
Net Position	<u>\$ 62,421,537</u>
Total Operating Revenues	\$ -
Operating Expenses	294,903
Non-Operating Revenues	<u>39,752</u>
Change in Net Position	<u>\$ (255,151)</u>

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 10: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2020, the City is under the legal debt margin.

B. 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 \$500 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 2020 and 2019. In 2017, the City did have one settlement related to a contract dispute.

The Hibbing PUC 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 PUC carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in 2019, 2018 and 2017.

C. Contingencies, Concentrations and Commitments

The PUC has entered into several contracts, which expire at various times in the future, for the purchase of gas, coal and electricity. The purchase prices of all contracts are adjusted during the year based on pre-established formulas. The quantities that are purchased under these contracts are dependent upon the current production needs of the PUC.

Minnesota Power (MP) and the PUC have an Electric Service Agreement which provides that MP will supply electric power and associated energy sufficient for the PUC to meet its electric system requirements for resale to its retail customers in its service territory effective September 1, 2015. The term of the agreement begins September 1, 2015 and ends December 31, 2024, and will continue thereafter unless either MP or the PUC terminates the agreement upon three years written notice to the other party; provided such termination may not be delivered prior to December 31, 2021.

Midwest Energy Resources company (MERC) and the PUC have a contract that MERC provides coal to the PUC through December 31, 2020. The cost of transportation will increase in 2020 and there is a penalty should the PUC not take deliver of the agreed upon coal amount.

The PUC purchases gas as a commodity and pays for the transportation of the actual gas product. Future gas commitments for the PUC from 2020 to 2026 is approximately \$11.2 million at fixed prices. The major vendors for the PUC purchased gas are World Fuel Services, Inc and BP Canada Energy Marketing Corporation. Northern Natural Gas provides the transportation for the gas and the PUC has commitments through 2024.

City of Hibbing, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 10: Other Information (Continued)

Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

D. 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, 2020:

Purpose	Percentage of City Taxes Abated during 2020	Amount of Taxes Abated during 2020
Provide incentive for real estate development company to complete residential development project	50%	\$ 54,922
Provide incentive for real estate development company to complete residential development project	50%	\$ 2,111

E. Steam Conversion Loan Program

In 2020, the Commission established a loan program for those residential customers wishing to convert their heating systems from steam to gas. The customers were required to go through a loan approval process in order to be eligible for the program. The loans are interest free and the loan repayment terms were open as to customer preferences but were not to exceed a ten year period. The Commission contracted with a local bank to handle the repayment process of the program. As of December 31, 2020, the Commission had outstanding loans of \$392,954 through the program. Subsequent to December 31, 2020 the program was suspended and no new loans are currently being issued.

Note 10: Other Information (Continued)

F. 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 2020, there were no related party transactions between the City and the Housing and Redevelopment Authority of Hibbing.

Note 11: COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Hibbing, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2020

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Primary Government

Primary Government

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/20	0.0658 %	\$ 3,945,010	\$ 121,598	\$ 4,066,608	\$ 4,692,600	86.7 %	79.0 %
06/30/19	0.0685	3,787,212	117,662	3,904,874	4,845,124	80.6	80.2
06/30/18	0.0704	3,905,503	128,091	4,033,594	4,739,514	85.1	79.5
06/30/17	0.0744	4,749,647	59,683	4,809,330	4,801,051	100.2	75.9
06/30/16	0.0709	5,756,728	75,263	5,831,991	4,409,847	132.2	68.9
06/30/15	0.0732	3,793,604	-	3,793,604	4,336,769	87.5	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Component Unit - Hibbing Public Utilities Commission

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/20	0.0650 %	\$ 3,897,047	\$ 120,163	\$ 4,017,210	\$ 4,636,325	86.6 %	79.1 %
06/30/19	0.0696	3,848,028	119,661	3,967,689	4,925,725	80.6	80.2
06/30/18	0.0780	4,327,120	141,834	4,468,954	5,242,301	85.2	79.5
06/30/17	0.0855	5,458,264	68,646	5,526,910	5,515,110	100.2	75.9
06/30/16	0.0907	7,364,392	96,093	7,460,485	5,425,759	137.5	68.9
06/30/15	0.0939	4,866,386	-	4,866,386	5,519,343	88.2	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Schedule of Employer's PERA Contributions - General Employees Fund

Primary Government

Primary Government

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 351,886	\$ 351,886	\$ -	\$ 4,691,813	7.50 %
12/31/19	359,605	359,605	-	4,794,733	7.50
12/31/18	359,498	359,498	-	4,793,307	7.50
12/31/17	347,061	347,061	-	4,627,480	7.50
12/31/16	337,181	337,181	-	4,495,747	7.50
12/31/15	341,433	341,433	-	4,552,440	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Component Unit - Hibbing Public Utilities Commission

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 345,036	\$ 345,036	\$ -	\$ 4,601,631	7.50 %
12/31/19	361,207	361,207	-	4,816,386	7.50
12/31/18	377,111	377,111	-	5,028,369	7.50
12/31/17	410,463	410,463	-	5,457,721	7.50
12/31/16	415,642	415,642	-	5,541,887	7.50
12/31/15	420,637	420,637	-	5,608,485	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employees Fund

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employees Fund (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability
06/30/20	0.3611 %	\$ 4,759,684	\$ 112,128	\$ 4,871,812	\$ 4,263,504	114.3 %	87.2 %
06/30/19	0.3409	3,629,225	-	3,629,225	3,597,920	100.9	89.3
06/30/18	0.3386	3,609,127	-	3,609,127	3,568,189	101.1	88.8
06/30/17	0.3540	4,779,421	-	4,779,421	3,632,428	131.6	85.4
06/30/16	0.3430	13,765,187	-	13,765,187	3,303,882	416.6	63.9
06/30/15	0.3600	4,090,442	-	4,090,442	3,292,226	124.2	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 709,410	\$ 709,410	\$ -	\$ 4,185,307	16.95 %
12/31/19	659,645	659,645	-	3,891,713	16.95
12/31/18	585,350	585,350	-	3,613,272	16.20
12/31/17	573,558	573,558	-	3,540,481	16.20
12/31/16	552,264	552,264	-	3,409,037	16.20
12/31/15	558,305	558,305	-	3,446,327	16.20

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 table 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 percent 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 percent to 60 percent. 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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

Changes in Plan Provisions

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent 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 table 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 3.00 percent 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 65.00 percent to 60.00 percent. 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 postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ 8,737	\$ 11,290	\$ 10,961	\$ 11,412	\$ 11,079
Interest	6,144	6,820	6,601	6,699	6,418
Differences between expected and actual experience	-	(17,841)	-	(4,341)	116,400
Changes of assumptions	-	39	-	12	-
Benefit payments, including refunds of employee contributions	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Net Change in Total Pension Liability	(4,712)	(2,640)	(6,524)	7,292	(2,071)
Total Pension Liability - January 1	123,939	126,579	133,103	125,811	127,882
Total Pension Liability - December 31 (a)	\$ 119,227	\$ 123,939	\$ 126,579	\$ 133,103	\$ 125,811
Plan Fiduciary Net Position					
Contributions - state	26,382	\$ 24,973	\$ 25,566	\$ 24,280	\$ 28,587
Net investment income	24,004	38,997	(16,336)	14,938	5,008
Benefit payments, including refunds of employee contributions	(19,593)	(2,948)	(24,086)	(6,490)	(135,968)
Administrative expense	(4,724)	(3,412)	(7,203)	(6,141)	(4,015)
Other	-	-	79	-	38,769
Net Change in Plan Fiduciary Net Position	26,069	57,610	(21,980)	26,587	(67,619)
Plan Fiduciary Net Position - January 1	308,140	250,530	272,510	245,923	313,542
Plan Fiduciary Net Position - December 31 (b)	\$ 334,209	\$ 308,140	\$ 250,530	\$ 272,510	\$ 245,923
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (214,982)	\$ (184,201)	\$ (123,951)	\$ (139,407)	\$ (120,112)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	280.31%	248.62%	197.92%	204.74%	195.47%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) ss a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/20	\$ 26,382	\$ 26,382	\$ -
12/31/19	24,973	24,973	-
12/31/18	25,566	25,566	-
12/31/17	24,280	24,280	-
12/31/16	28,587	28,587	-
12/31/15	12,484	12,484	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Primary Government

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 258,942	\$ 441,305	\$ 389,594
Interest	1,026,040	952,784	996,965
Differences between expected and actual experience	-	-	23,832
Changes in assumptions	4,244,880	(2,349,774)	1,217,122
Benefit payments	(1,727,593)	(1,345,948)	(1,366,298)
Net Change in Total OPEB Liability	3,802,269	(2,301,633)	1,261,215
Total OPEB Liability - Beginning	25,621,555	27,923,188	26,661,973
Total OPEB Liability - Ending	<u>\$ 29,423,824</u>	<u>\$ 25,621,555</u>	<u>\$ 27,923,188</u>
Covered - Employee Payroll	N/A	N/A	N/A
City's Total OPEB Liability as a Percentage of Covered Employee Payroll	N/A %	N/A %	N/A %

Changes in Assumptions:

2019

The discount rate was updated as of December 31, 2018 to 4.10%

The percentage of employees electing family coverage decreased from 80% to 50% to reflect plan experience

The mortality projection scale was updated to MP-2018.

The health assumptions have been updated based on recent experience and future expectations.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Component Unit - Hibbing Public Utilities Commission

	2020	2019
Total OPEB Liability		
Service cost	\$ 561,246	\$ 383,407
Interest	531,232	787,841
Differences between expected and actual experience	-	(3,616,791)
Changes in assumptions	1,882,985	3,292,183
Benefit payments	(881,213)	(820,675)
Net Change in Total OPEB Liability	2,094,250	25,965
Total OPEB Liability - Beginning	19,264,407	19,238,442
Total OPEB Liability - Ending	<u>\$ 21,358,657</u>	<u>\$ 19,264,407</u>
Covered - Employee Payroll	\$ 4,592,402	\$ 4,967,680
City' Total OPEB Liability as a Percentage of Covered Employee Payroll	464.87 %	387.79 %

The PUC does not have a formal funding policy and does not calculate an Actuarially Determined Contribution (ADC).

As such the disclosure of a Schedule of Contributions is not required.

The Commission does not have funds placed in a trust to offset the total OPEB liability. As such a schedule of investment returns is not required.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Hibbing, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Modified Approach for City Streets and Trails 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: Roads are graded, dust control applied, travel speeds up to legal speed limit.

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
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Modified Approach for City Streets and Trails Infrastructure Capital Assets (Continued)

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, 2020, the City's gravel roads all rated at a Level 3.

The City expended \$386,500 on gravel road maintenance for the year ended December 31, 2019. This amount in 2019 included 44 culvert changes, 9 road lifts, and 11 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 2020 is a minimum of \$1,129,000 (\$386,500 projected budget each year for the years ending December 31, 2020 and 2021).

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 through December 31, 2020 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
2018	356,000	365,000	365,000
2019	386,500	386,500	386,500
2020	386,500	386,500	386,500

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 273,507	\$ 5,742,909	\$ 1,047,183	\$ 7,063,599
Receivables				
Taxes	6,799	15,365	3,761	25,925
Accounts	-	31,308	-	31,308
Special assessments	-	138,620	-	138,620
Due from other governments	-	51,117	-	51,117
Prepays	8,924	-	-	8,924
	<u>8,924</u>	<u>-</u>	<u>-</u>	<u>8,924</u>
Total Assets	<u>\$ 289,230</u>	<u>\$ 5,979,319</u>	<u>\$ 1,050,944</u>	<u>\$ 7,319,493</u>
Liabilities				
Accounts payable	\$ 2,061	\$ 72,695	\$ 14,246	\$ 89,002
Due to other governments	5,263	40,805	-	46,068
Accrued salaries payable	11,068	-	-	11,068
Contracts payable	-	148,904	-	148,904
Unearned revenue	15,575	211,719	194,124	421,418
Total Liabilities	<u>33,967</u>	<u>474,123</u>	<u>208,370</u>	<u>716,460</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	131,661	-	131,661
	<u>-</u>	<u>131,661</u>	<u>-</u>	<u>131,661</u>
Fund Balances				
Nonspendable	8,924	-	-	8,924
Restricted	-	2,741,018	842,574	3,583,592
Committed	246,339	2,179,214	-	2,425,553
Assigned	-	453,303	-	453,303
Total Fund Balances	<u>255,263</u>	<u>5,373,535</u>	<u>842,574</u>	<u>6,471,372</u>
	<u>255,263</u>	<u>5,373,535</u>	<u>842,574</u>	<u>6,471,372</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 289,230</u>	<u>\$ 5,979,319</u>	<u>\$ 1,050,944</u>	<u>\$ 7,319,493</u>

City of Hibbing, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 585,741	\$ 1,541,698	\$ 323,993	\$ 2,451,432
Intergovernmental	303	1,181,631	308,479	1,490,413
Charges for services	2,556	31,350	-	33,906
Special assessments	-	35,267	-	35,267
Gifts and contributions	7,889	550	-	8,439
Investment earnings	758	31,769	-	32,527
Total Revenues	<u>597,247</u>	<u>2,822,265</u>	<u>632,472</u>	<u>4,051,984</u>
Expenditures				
Current				
Culture and recreation	650,431	13,227	-	663,658
Capital outlay				
General government	-	113,226	-	113,226
Public safety	-	648,014	-	648,014
Public works	-	1,349,985	-	1,349,985
Culture and recreation	-	149,816	-	149,816
Miscellaneous	-	54,016	-	54,016
Debt service				
Principal	-	-	440,000	440,000
Interest and other	-	-	129,747	129,747
Bond issuance costs	-	17,421	38,308	55,729
Total Expenditures	<u>650,431</u>	<u>2,345,705</u>	<u>608,055</u>	<u>3,604,191</u>
Deficiency of Revenues Under Expenditures	<u>(53,184)</u>	<u>476,560</u>	<u>24,417</u>	<u>447,793</u>
Other Financing Sources (Uses)				
Transfers in	169,676	109,487	401,256	680,419
Transfers out	-	(245,150)	(265,593)	(510,743)
Principal paid on refunding bonds	-	-	(1,745,000)	(1,745,000)
Bonds issued	-	670,000	-	670,000
Refunding bonds issued	-	-	1,675,000	1,675,000
Premium on bonds issued	-	45,566	126,994	172,560
Sale of capital assets	-	6,482	-	6,482
Total Other Financing Sources (Uses)	<u>169,676</u>	<u>586,385</u>	<u>192,657</u>	<u>948,718</u>
Net Change in Fund Balances	116,492	1,062,945	217,074	1,396,511
Fund Balances, January 1	<u>138,771</u>	<u>4,310,590</u>	<u>625,500</u>	<u>5,074,861</u>
Fund Balances, December 31	<u>\$ 255,263</u>	<u>\$ 5,373,535</u>	<u>\$ 842,574</u>	<u>\$ 6,471,372</u>

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2020

	211	220	225	421	
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans	Total
Assets					
Cash and temporary investments	\$ 110,440	\$ 51,688	\$ 26,526	\$ 84,853	\$ 273,507
Receivables					
Taxes	6,799	-	-	-	6,799
Prepays	8,924	-	-	-	8,924
Total Assets	\$ 126,163	\$ 51,688	\$ 26,526	\$ 84,853	\$ 289,230
Liabilities					
Accounts and other payables	\$ 2,061	\$ -	\$ -	\$ -	\$ 2,061
Due to other governments	5,263	-	-	-	5,263
Accrued salaries payable	11,068	-	-	-	11,068
Unearned revenue	15,575	-	-	-	15,575
Total Liabilities	33,967	-	-	-	33,967
Fund Balances					
Nonspendable	8,924	-	-	-	8,924
Committed	83,272	51,688	26,526	84,853	246,339
Total Fund Balances	92,196	51,688	26,526	84,853	255,263
Total Liabilities and Fund Balances	\$ 126,163	\$ 51,688	\$ 26,526	\$ 84,853	\$ 289,230

City of Hibbing, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	211	220	225	421	
	Library	Housing Incentive	Small Cities Development	Minnesota Investment Revolving Loans	Total
Revenues					
Taxes	\$ 585,741	\$ -	\$ -	\$ -	\$ 585,741
Intergovernmental	303	-	-	-	303
Charges for services	2,556	-	-	-	2,556
Gifts and contributions	7,889				7,889
Investment earnings	-	498	256	4	758
Total Revenues	<u>596,489</u>	<u>498</u>	<u>256</u>	<u>4</u>	<u>597,247</u>
Expenditures					
Current					
Culture and recreation	<u>650,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,942)	498	256	4	(53,184)
Other Financing Sources					
Transfers in	<u>169,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,676</u>
Net Change in Fund Balances	115,734	498	256	4	116,492
Fund Balances, January 1	<u>(23,538)</u>	<u>51,190</u>	<u>26,270</u>	<u>84,849</u>	<u>138,771</u>
Fund Balances, December 31	<u>\$ 92,196</u>	<u>\$ 51,688</u>	<u>\$ 26,526</u>	<u>\$ 84,853</u>	<u>\$ 255,263</u>

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City of Hibbing, Minnesota
Library Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 586,043	\$ 586,043	\$ 585,741	\$ (302)
Intergovernmental	-	-	303	303
Charges for services	12,200	12,200	2,556	(9,644)
Gifts and contributions	18,623	18,623	7,889	(10,734)
Total Revenues	<u>616,866</u>	<u>616,866</u>	<u>596,489</u>	<u>(20,377)</u>
Expenditures				
Current				
Culture and recreation				
Personnel services	574,042	574,042	503,376	70,666
Supplies	108,350	108,350	61,086	47,264
Other	104,150	104,150	85,969	18,181
Total Expenditures	<u>786,542</u>	<u>786,542</u>	<u>650,431</u>	<u>136,111</u>
Deficiency of Revenues				
Under Expenditures	(169,676)	(169,676)	(53,942)	115,734
Other Financing Sources				
Transfer in	<u>169,676</u>	<u>169,676</u>	<u>169,676</u>	<u>-</u>
Net Change in Fund Balances	-	-	115,734	115,734
Fund Balances, January 1	<u>(23,538)</u>	<u>(23,538)</u>	<u>(23,538)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (23,538)</u>	<u>\$ (23,538)</u>	<u>\$ 92,196</u>	<u>\$ 115,734</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2020

	401, 402	415	430	400 Capital Equipment and Improvement
	<u>Permanent Improvement</u>	<u>Privately- Financed</u>	<u>Memorial Building</u>	
Assets				
Cash and temporary investments	\$ 1,286,147	\$ 49,633	\$ 16,408	\$ 3,442,103
Receivables				
Taxes	6,435	-	-	8,930
Accounts	-	-	9,950	358
Special assessments	-	138,620	-	-
Due from other governments	51,117	-	-	-
	<u>51,117</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,343,699</u>	<u>\$ 188,253</u>	<u>\$ 26,358</u>	<u>\$ 3,451,391</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 72,695
Due to other governments	-	40,805	-	-
Contracts payable	138,669	-	-	10,235
Unearned revenue	-	-	-	-
Total Liabilities	<u>138,669</u>	<u>40,805</u>	<u>-</u>	<u>82,930</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	131,661	-	-
	<u>-</u>	<u>131,661</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	1,205,030	-	-	820,719
Committed	-	-	26,358	2,152,856
Assigned	-	15,787	-	394,886
Total Fund Balances	<u>1,205,030</u>	<u>15,787</u>	<u>26,358</u>	<u>3,368,461</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,343,699</u>	<u>\$ 188,253</u>	<u>\$ 26,358</u>	<u>\$ 3,451,391</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2020

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Assets				
Cash and temporary investments	\$ 715,269	\$ 211,024	\$ 22,325	\$ 5,742,909
Receivables				
Taxes	-	-	-	15,365
Accounts	-	21,000	-	31,308
Special assessments	-	-	-	138,620
Due from other governments	-	-	-	51,117
	<u>715,269</u>	<u>232,024</u>	<u>22,325</u>	<u>5,979,319</u>
Total Assets	<u><u>\$ 715,269</u></u>	<u><u>\$ 232,024</u></u>	<u><u>\$ 22,325</u></u>	<u><u>\$ 5,979,319</u></u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 72,695
Due to other governments	-	-	-	40,805
Contracts payable	-	-	-	148,904
Unearned revenue	-	211,719	-	211,719
Total Liabilities	<u>-</u>	<u>211,719</u>	<u>-</u>	<u>474,123</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	131,661
Fund Balances				
Restricted	715,269	-	-	2,741,018
Committed	-	-	-	2,179,214
Assigned	-	20,305	22,325	453,303
Total Fund Balances	<u>715,269</u>	<u>20,305</u>	<u>22,325</u>	<u>5,373,535</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 715,269</u></u>	<u><u>\$ 232,024</u></u>	<u><u>\$ 22,325</u></u>	<u><u>\$ 5,979,319</u></u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	401, 402	415	430	400
	Permanent	Privately-	Memorial	Capital
	Improvement	Financed	Building	Equipment and
				Improvement
Revenues				
Taxes	\$ 554,358	\$ -	\$ -	\$ 769,302
Intergovernmental	1,127,627	-	-	54,004
Charges for services	-	-	19,350	-
Special assessments	-	35,267	-	-
Gifts and Contributions	-	-	-	-
Investment earnings	8,280	-	111	21,012
Total Revenues	<u>1,690,265</u>	<u>35,267</u>	<u>19,461</u>	<u>844,318</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	-	-	113,226
Public safety	-	-	-	648,014
Public works	1,166,678	-	-	183,307
Culture and recreation	-	-	2,121	147,695
Miscellaneous	-	-	-	54,016
Debt service				
Bond issuance costs	-	-	-	17,421
Total Expenditures	<u>1,166,678</u>	<u>-</u>	<u>2,121</u>	<u>1,163,679</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>523,587</u>	<u>35,267</u>	<u>17,340</u>	<u>(319,361)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	109,487
Transfers out	-	-	-	(245,150)
Bond issuance	-	-	-	670,000
Premium on bonds issued	-	-	-	45,566
Sale of capital assets	-	-	-	6,482
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,385</u>
Net Change in Fund Balances	523,587	35,267	17,340	267,024
Fund Balances, January 1	<u>681,443</u>	<u>(19,480)</u>	<u>9,018</u>	<u>3,101,437</u>
Fund Balances, December 31	<u>\$ 1,205,030</u>	<u>\$ 15,787</u>	<u>\$ 26,358</u>	<u>\$ 3,368,461</u>

City of Hibbing, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2020

	403	431	450	
	Mining Effects	Raceway	MDI Maintenance	Total
Revenues				
Taxes	\$ 218,038	\$ -	\$ -	\$ 1,541,698
Intergovernmental	-	-	-	1,181,631
Charges for services	-	12,000	-	31,350
Special assessments	-	-	-	35,267
Gifts and Contributions	-	550	-	550
Investment earnings	-	2,151	215	31,769
Total Revenues	<u>218,038</u>	<u>14,701</u>	<u>215</u>	<u>2,822,265</u>
Expenditures				
Current				
Culture and recreation	-	13,227	-	13,227
Capital outlay				
General government	-	-	-	113,226
Public safety	-	-	-	648,014
Public works	-	-	-	1,349,985
Culture and recreation	-	-	-	149,816
Miscellaneous	-	-	-	54,016
Debt service				
Bond issuance costs	-	-	-	17,421
Total Expenditures	<u>-</u>	<u>13,227</u>	<u>-</u>	<u>2,345,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>218,038</u>	<u>1,474</u>	<u>215</u>	<u>476,560</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	109,487
Transfers out	-	-	-	(245,150)
Debt issuance	-	-	-	670,000
Premium on bonds issued	-	-	-	45,566
Sale of capital assets	-	-	-	6,482
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,385</u>
Net Change in Fund Balances	218,038	1,474	215	1,062,945
Fund Balances, January 1	<u>497,231</u>	<u>18,831</u>	<u>22,110</u>	<u>4,310,590</u>
Fund Balances, December 31	<u>\$ 715,269</u>	<u>\$ 20,305</u>	<u>\$ 22,325</u>	<u>\$ 5,373,535</u>

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Balance Sheet
December 31, 2020

	395 2002 G.O. Refunding Bonds	396 2013A G.O. 2020A Refunding MSA Bonds	308 2018A G.O. Bonds	309 2012A G.O. Bonds	310 2020A Refunding Bonds (2013A Equipment Certificates)	Total
Assets						
Cash and temporary investments	\$ 357,631	\$ 275,474	\$ 180,065	\$ 76,513	157,500	\$ 1,047,183
Receivables						
Taxes Receivable	-	-	1,842	1,521	398	3,761
Total Assets	<u>\$ 357,631</u>	<u>\$ 275,474</u>	<u>\$ 181,907</u>	<u>\$ 78,034</u>	<u>\$ 157,898</u>	<u>\$ 1,050,944</u>
Liabilities						
Accounts and other payables	\$ -	\$ 13,737	\$ -	\$ -	\$ 509	\$ 14,246
Unearned revenue	-	194,124	-	-	-	194,124
Total Liabilities	<u>-</u>	<u>207,861</u>	<u>-</u>	<u>-</u>	<u>509</u>	<u>208,370</u>
Fund Balances						
Restricted for debt service	357,631	67,613	181,907	78,034	157,389	842,574
Total Liabilities and Fund Balance	<u>\$ 357,631</u>	<u>\$ 275,474</u>	<u>\$ 181,907</u>	<u>\$ 78,034</u>	<u>\$ 157,898</u>	<u>\$ 1,050,944</u>

City of Hibbing, Minnesota
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	396		310		
	395		308	309	2020A Refunding
	2002 G.O.	2013A G.O.	2018A G.O.	2012A G.O.	Bonds (2013A
	Refunding	2020A Refunding	Bonds	Bonds	Equipment
	Bonds	MSA Bonds			Certificates)
					Total
Revenues					
Taxes	\$ -	\$ -	\$ 158,678	130,998	34,317
Intergovernmental	-	308,312	82	68	17
Total Revenues	-	308,312	158,760	131,066	34,334
Expenditures					
Debt service					
Principal	-	180,000	110,000	120,000	30,000
Interest and other	-	80,344	41,200	4,825	3,378
Bond issuance costs	-	36,937	-	-	1,371
Total Expenditures	-	297,281	151,200	124,825	34,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	11,031	7,560	6,241	(415)
Other Financing Sources (Uses)					
Transfers in	-	-	173,357	71,793	156,106
Transfers out	-	(265,593)	-	-	-
Principal paid on refunded bonds	-	(1,685,000)	-	-	(60,000)
Refunding bond issuance	-	1,615,000	-	-	60,000
Premium on bonds issued	-	125,296	-	-	1,698
Total Other Financing Sources (Uses)	-	(210,297)	173,357	71,793	157,804
Net Change in Fund Balances	-	(199,266)	180,917	78,034	157,389
Fund Balances, January 1	357,631	266,879	990	-	-
Fund Balances, December 31	\$ 357,631	\$ 67,613	\$ 181,907	\$ 78,034	\$ 157,389

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 5,283,642	\$ 5,283,642	\$ 4,781,282	\$ (502,360)	\$ 4,604,084
Taconite	2,036,000	2,036,000	2,585,936	549,936	2,400,258
Franchise	136,000	136,000	130,129	(5,871)	130,763
Total taxes	<u>7,455,642</u>	<u>7,455,642</u>	<u>7,497,347</u>	<u>41,705</u>	<u>7,135,105</u>
Licenses and permits					
Business	<u>108,585</u>	<u>108,585</u>	<u>104,615</u>	<u>(3,970)</u>	<u>168,078</u>
Intergovernmental					
Federal					
Transportation	110,856	110,856	291,372	180,516	81,667
Other	114,333	114,333	1,402,023	1,287,690	218,540
State					
Local government aid	8,229,324	8,229,324	8,233,738	4,414	8,145,651
Market value credit	-	-	2,732	2,732	2,696
PERA aid	12,183	12,183	-	(12,183)	24,366
Transportation	246,744	246,744	38,917	(207,827)	280,953
Police and fire aid	297,000	297,000	343,629	46,629	318,294
Other	93,588	93,588	342,966	249,378	93,052
Local					
Other	<u>144,500</u>	<u>144,500</u>	<u>262,296</u>	<u>117,796</u>	<u>146,512</u>
Total intergovernmental	<u>9,248,528</u>	<u>9,248,528</u>	<u>10,917,673</u>	<u>1,669,145</u>	<u>9,311,731</u>
Charges for services					
General government	76,700	76,700	66,568	(10,132)	79,786
Public Safety	1,609,000	1,609,000	1,835,759	226,759	1,792,813
Highways and streets	1,000	1,000	256	(744)	-
Culture and Recreation	247,248	247,248	182,064	(65,184)	243,610
Cemetery	75,000	75,000	80,100	5,100	74,115
Total charges for services	<u>2,008,948</u>	<u>2,008,948</u>	<u>2,164,747</u>	<u>155,799</u>	<u>2,190,324</u>
Fines and forfeitures	<u>77,000</u>	<u>77,000</u>	<u>60,462</u>	<u>(16,538)</u>	<u>83,725</u>
Investment earnings	<u>100,000</u>	<u>100,000</u>	<u>228,383</u>	<u>128,383</u>	<u>510,090</u>
Contributions and donations	<u>15,106</u>	<u>15,106</u>	<u>5,051</u>	<u>(10,055)</u>	<u>33,547</u>
Miscellaneous					
Other	<u>82,191</u>	<u>82,191</u>	<u>72,008</u>	<u>(10,183)</u>	<u>26,628</u>
Total Revenues	<u>19,096,000</u>	<u>19,096,000</u>	<u>21,050,286</u>	<u>1,954,286</u>	<u>19,459,228</u>
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	225,664	225,664	218,299	7,365	235,466
Supplies	4,500	4,500	572	3,928	856
Other services and charges	53,200	53,200	40,937	12,263	44,176
Total mayor and council	<u>283,364</u>	<u>283,364</u>	<u>259,808</u>	<u>23,556</u>	<u>280,498</u>

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Administration					
Personnel services	\$ 175,755	\$ 175,755	\$ 165,898	\$ 9,857	\$ 175,904
Supplies	8,000	8,000	640	7,360	1,412
Other services and charges	12,300	12,300	2,327	9,973	2,957
Total administration	196,055	196,055	168,865	27,190	180,273
Elections					
Personnel services	75,774	75,774	57,947	17,827	909
Supplies	4,890	4,890	10,784	(5,894)	165
Other services and charges	27,000	27,000	20,500	6,500	2,370
Total elections	107,664	107,664	89,231	18,433	3,444
City clerk					
Personnel services	518,018	518,018	474,876	43,142	487,101
Supplies	13,500	13,500	3,972	9,528	6,809
Other services and charges	59,310	59,310	26,832	32,478	32,441
Total city clerk	590,828	590,828	505,680	85,148	526,351
City hall					
Supplies	23,255	23,255	13,623	9,632	19,959
Other services and charges	90,500	90,500	114,131	(23,631)	72,802
Total city hall	113,755	113,755	127,754	(13,999)	92,761
Accounting					
Other services and charges	45,000	45,000	43,322	1,678	85,761
Data processing					
Supplies	3,700	3,700	1,971	1,729	367
Other services and charges	130,360	130,360	116,494	13,866	116,133
Total data processing	134,060	134,060	118,465	15,595	116,500
Legal					
Other services and charges	128,000	128,000	132,686	(4,686)	120,135
Personnel administration					
Personnel services	107,328	107,328	104,959	2,369	105,550
Supplies	4,750	4,750	751	3,999	1,837
Other services and charges	87,000	87,000	55,154	31,846	39,975
Total personnel administration	199,078	199,078	160,864	38,214	147,362
Zoning and housing					
Personnel services	178,308	178,308	175,569	2,739	165,671
Supplies	3,342	3,342	1,901	1,441	1,997
Other services and charges	46,700	46,700	33,667	13,033	21,500
Total zoning and housing	228,350	228,350	211,137	17,213	189,168

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Assessor					
Personnel services	\$ 70,334	\$ 70,334	\$ 69,390	\$ 944	66,382
Supplies	300	300	-	300	196
Other services and charges	200	200	55	145	1,869
Total assessor	<u>70,834</u>	<u>70,834</u>	<u>69,445</u>	<u>1,389</u>	<u>68,447</u>
Total general government	<u>2,096,988</u>	<u>2,096,988</u>	<u>1,887,257</u>	<u>209,731</u>	<u>1,810,700</u>
Public safety					
Police					
Personnel services	3,347,584	3,347,584	3,186,773	160,811	3,252,991
Supplies	223,883	223,883	141,146	82,737	227,599
Other services and charges	216,760	216,760	201,859	14,901	223,832
Total police	<u>3,788,227</u>	<u>3,788,227</u>	<u>3,529,778</u>	<u>258,449</u>	<u>3,704,422</u>
Animal shelter					
Supplies	7,000	7,000	2,059	4,941	1,812
Other services and charges	81,100	81,100	120,134	(39,034)	73,219
Total animal shelter	<u>88,100</u>	<u>88,100</u>	<u>122,193</u>	<u>(34,093)</u>	<u>75,031</u>
Fire					
Personnel services	2,117,960	2,117,960	2,074,230	43,730	1,864,874
Supplies	129,737	129,737	69,638	60,099	77,036
Other services and charges	157,200	157,200	131,701	25,499	105,890
Total fire	<u>2,404,897</u>	<u>2,404,897</u>	<u>2,275,569</u>	<u>129,328</u>	<u>2,047,800</u>
Paid on-call					
Personnel services	59,300	59,300	33,857	25,443	25,837
Supplies	63,500	63,500	31,298	32,202	23,115
Other services and charges	75,800	75,800	48,016	27,784	47,150
Total paid on-call	<u>198,600</u>	<u>198,600</u>	<u>113,171</u>	<u>85,429</u>	<u>96,102</u>
Civil defense					
Other services and charges	<u>10,000</u>	<u>10,000</u>	<u>5,302</u>	<u>4,698</u>	<u>5,181</u>
Ambulance					
Personnel services	1,018,688	1,018,688	1,127,817	(109,129)	997,403
Supplies	120,000	120,000	119,757	243	131,496
Other services and charges	144,500	144,500	107,924	36,576	129,101
Total ambulance	<u>1,283,188</u>	<u>1,283,188</u>	<u>1,355,498</u>	<u>(72,310)</u>	<u>1,258,000</u>
Total public safety	<u>7,773,012</u>	<u>7,773,012</u>	<u>7,401,511</u>	<u>371,501</u>	<u>7,186,536</u>

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
Engineering					
Personnel services	\$ 350,149	\$ 350,149	\$ 346,096	\$ 4,053	349,591
Supplies	15,100	15,100	2,517	12,583	6,897
Other services and charges	35,700	35,700	34,457	1,243	30,952
Total engineering	400,949	400,949	383,070	17,879	387,440
Streets and alleys					
Personnel services	1,546,582	1,546,582	1,506,850	39,732	1,500,914
Supplies	570,750	570,750	526,608	44,142	595,178
Other services and charges	359,000	359,000	299,524	59,476	145,828
Total streets and alleys	2,476,332	2,476,332	2,332,982	143,350	2,241,920
Street lighting					
Other services and charges	55,000	55,000	54,023	977	50,877
Garage					
Personnel services	384,264	384,264	265,249	119,015	308,346
Supplies	51,000	51,000	33,629	17,371	70,716
Other services and charges	184,500	184,500	149,716	34,784	144,515
Total garage	619,764	619,764	448,594	171,170	523,577
Total public works	3,552,045	3,552,045	3,218,669	333,376	3,203,814
Culture and recreation					
Recreation					
Supplies	25,600	25,600	12,292	13,308	19,358
Other services and charges	35,000	35,000	15,549	19,451	32,521
Total recreation	60,600	60,600	27,841	32,759	51,879
Memorial building					
Personnel services	2,303	2,303	-	2,303	1,127
Supplies	70,192	70,192	64,547	5,645	71,725
Other services and charges	342,500	342,500	233,549	108,951	294,025
Total memorial building	414,995	414,995	298,096	116,899	366,877
Municipal golf course					
Supplies	19,694	19,694	14,778	4,916	19,390
Other services and charges	28,400	28,400	28,091	309	26,536
Total municipal golf course	48,094	48,094	42,869	5,225	45,926
Parks					
Supplies	88,649	88,649	47,747	40,902	69,593
Other services and charges	75,330	75,330	54,678	20,652	71,374
Total parks	163,979	163,979	102,425	61,554	140,967
City services					
Personnel services	1,643,765	1,643,765	1,367,754	276,011	1,588,509
Total culture and recreation	2,331,433	2,331,433	1,838,985	492,448	2,194,158

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Economic development					
Administration					
Supplies	\$ 300	\$ 300	\$ 311	\$ (11)	115
Other services and charges	65,500	65,500	17,127	48,373	11,316
Total economic development	65,800	65,800	17,438	48,362	11,431
Transportation					
Bus					
Personnel services	17,620	17,620	16,305	1,315	12,350
Supplies	83,706	83,706	57,103	26,603	59,236
Other services and charges	377,123	377,123	317,836	59,287	341,217
Total transportation	478,449	478,449	391,244	87,205	412,803
Miscellaneous					
Cemetery					
Personnel services	204,464	204,464	188,749	15,715	206,986
Supplies	34,487	34,487	26,749	7,738	27,031
Other services and charges	22,000	22,000	15,374	6,626	12,480
Total cemetery	260,951	260,951	230,872	30,079	246,497
Public access					
Other services and charges	110,000	110,000	111,759	(1,759)	123,309
Insurance					
Other services and charges	2,013,896	2,013,896	2,109,124	(95,228)	1,935,764
Donations and contributions					
Other services and charges	40,000	40,000	3,100	36,900	21,571
Other					
Other services and charges	155,800	155,800	123,436	32,364	56,106
Total miscellaneous	2,580,647	2,580,647	2,578,291	2,356	2,383,247
Total current	18,878,374	18,878,374	17,333,395	1,544,979	17,202,689

City of Hibbing, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Capital outlay					
General government	\$ -	\$ -	\$ 70,756	\$ (70,756)	\$ -
Public safety	-	-	668,888	(668,888)	-
Total capital outlay	-	-	739,644	(739,644)	-
Debt service					
Principal	35,050	35,050	35,047	3	33,064
Interest and other	7,900	7,900	7,868	32	9,248
Total Debt Service	42,950	42,950	42,915	35	42,312
Total Expenditures	18,921,324	18,921,324	18,115,954	805,370	17,245,001
Excess of Revenues					
Over Expenditures	174,676	174,676	2,934,332	2,759,656	2,214,227
Other Financing Sources (Uses)					
Transfers out	(174,676)	(174,676)	(169,676)	5,000	(94,691)
Sale of capital assets	-	-	-	-	5,231
Total Other Financing Sources (Uses)	(174,676)	(174,676)	(169,676)	5,000	(89,460)
Net Change in Fund Balances	-	-	2,764,656	2,764,656	2,124,767
Fund Balances, January 1	21,849,072	21,849,072	21,849,072	-	18,716,116
Prior Period Adjustment (Note 13)	-	-	-	-	1,008,189
Fund Balances, December 31	<u>\$ 21,849,072</u>	<u>\$ 21,849,072</u>	<u>\$ 24,613,728</u>	<u>\$ 2,764,656</u>	<u>\$ 21,849,072</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued on the Following Pages)
December 31, 2020

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Assets				
Cash and temporary investments	\$ 554,731	\$ 1,248,062	\$ 763,305	\$ (48,398)
Restricted cash and temporary investments	-	-	-	46,377
Receivables				
Taxes	1,220	-	-	-
Accounts	610	270	-	-
Loans receivable, net of allowance	-	2,172,252	-	162,518
Due from other funds	-	123,000	-	-
Prepaid items	300	-	-	-
Capital assets				
Buildings	-	-	-	-
Less accumulated depreciation	-	-	-	-
Total Assets	<u>\$ 556,861</u>	<u>\$ 3,543,584</u>	<u>\$ 763,305</u>	<u>\$ 162,518</u>
Liabilities				
Accounts payable	\$ 2,196	\$ -	\$ 11,400	\$ -
Accrued salaries payable	3,143	-	-	-
Due to other funds	-	-	-	-
Loans payable	-	-	-	-
Due to other governments	-	-	497	-
Total Liabilities	<u>5,339</u>	<u>-</u>	<u>11,897</u>	<u>-</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2020

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Fund Balances/Net Position				
Fund balances				
Restricted for debt service	\$ -	\$ -	\$ 751,408	\$ 160,497
Restricted economic development	-	-	-	-
Committed	551,522	3,543,584	-	-
Assigned	-	-	-	-
Net position				
Net investment in capital assets	-	-	-	-
Unrestricted	-	-	-	-
Total Fund Balances/ Net Position	<u>551,522</u>	<u>3,543,584</u>	<u>751,408</u>	<u>160,497</u>
Total Liabilities, and Fund Balances/ Net Position	<u>\$ 556,861</u>	<u>\$ 3,543,584</u>	<u>\$ 763,305</u>	<u>\$ 160,497</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2020

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Assets					
Cash and temporary investments	\$ 132,604	\$ 143,484	\$ 117,025	\$ 60,464	\$ 2,971,277
Restricted cash and temporary investments	-	-	-	-	46,377
Receivables					
Taxes	-	-	1,323	-	2,543
Accounts	-	-	-	21,920	22,800
Loans receivable, net of allowance	194,649	-	-	-	2,529,419
Due from other funds	-	-	-	-	123,000
Prepaid items	-	-	-	-	300
Capital assets					
Buildings	-	-	-	568,397	568,397
Less accumulated depreciation	-	-	-	(23,683)	(23,683)
Total Assets	<u>\$ 327,253</u>	<u>\$ 143,484</u>	<u>\$ 118,348</u>	<u>\$ 627,098</u>	<u>\$ 6,275,477</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 24,511	\$ 38,107
Accrued salaries payable	-	-	-	-	3,143
Due to other funds	123,000	-	-	-	123,000
Loans payable	-	-	-	571,788	571,788
Due to other governments	-	497	-	4,350	5,344
Total Liabilities	<u>123,000</u>	<u>497</u>	<u>-</u>	<u>600,649</u>	<u>741,382</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet and Statement of Net Position (Continued)
December 31, 2020

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Fund Balances/Net Position					
Fund balances					
Restricted for debt service	\$ -	\$ -	\$ -	\$ -	\$ 911,905
Restricted economic development	-	142,987	-	-	142,987
Committed	-	-	-	-	4,095,106
Assigned	204,253	-	118,348	-	322,601
Net position					
Net investment in capital assets	-	-	-	(27,074)	(27,074)
Unrestricted	-	-	-	53,523	53,523
Total Fund Balances/ Net Position	204,253	142,987	118,348	26,449	5,499,049
Total Liabilities, and Fund Balances/ Net Position	<u>\$ 327,253</u>	<u>\$ 143,484</u>	<u>\$ 118,348</u>	<u>\$ 627,098</u>	<u>\$ 6,240,430</u>

Amounts reported for the Economic Development Authority in the statement of net position are different because

Total Fund Balances/Net Position Reported above	\$ 5,499,048
Capital assets used in the Economic Development Authority are not financial resources and therefore are not reported as assets in the funds.	
Cost of capital assets	157,444
Less accumulated depreciation	(6,567)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds payable	(1,524,864)
Net pension liability	(2,489)
Governmental funds do not report a liability for accrued interest until due and payable.	(28,992)
Governmental funds of the Economic Development Authority do not report long-term amounts related to pensions.	
Deferred outflows of resources	157
Deferred inflows of resources	(265)
Total Net Position - Economic Development Authority	<u>\$ 4,093,472</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued on the Following Pages)
For the Year Ended December 31, 2020

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Revenues				
Taxes				
General property taxes	\$ 105,122	\$ -	\$ -	\$ -
Tax increments	-	-	55,804	-
Intergovernmental	54	400,000	-	-
Charges for services	-	-	-	-
Interest in capital lease	-	-	-	7,868
Interest earnings	4,823	1,514	-	2
Miscellaneous	-	32,428	-	-
Total Revenues	<u>109,999</u>	<u>433,942</u>	<u>55,804</u>	<u>7,870</u>
Expenditures/Expenses				
Current				
Housing and economic development				
Administration	83,040	27,863	1,196	-
Professional services	17,252	-	-	-
Depreciation	-	-	-	-
Debt service/nonoperating expense				
Principal	-	-	25,000	197,565
Interest and other	-	-	38,222	9,653
Bond issuance costs	-	-	28,672	-
Total Expenditures/Expenses	<u>100,292</u>	<u>27,863</u>	<u>93,090</u>	<u>207,218</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures/Expenses	9,707	406,079	(37,286)	(199,348)
Other Financing Sources				
Refunding bond issuance	-	-	765,000	-

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2020

	Governmental Activities			
	Special Revenue Funds		Debt Service Funds	
	255	250	392, 417	375
	General Fund	Economic Development	Tax Increment XII	Animal Shelter
Net Change in Fund Balances/Net Position	\$ 9,707	\$ 406,079	\$ 727,714	\$ (199,348)
Fund Balances/ Net Position, January 1	541,815	3,137,505	23,694	359,845
Fund Balances/Net Position, December 31	<u>\$ 551,522</u>	<u>\$ 3,543,584</u>	<u>\$ 751,408</u>	<u>\$ 160,497</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2020

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Revenues					
Taxes					
General property taxes	\$ -	\$ -	\$ 127,947	\$ -	\$ 233,069
Tax increments	-	13,843	-	-	69,647
Intergovernmental	-	-	59	-	400,113
Charges for services	-	-	-	45,000	45,000
Interest in capital lease	-	-	-	-	7,868
Interest earnings	-	1,265	658	-	8,262
Miscellaneous	5,059	-	-	6,480	43,967
Total Revenues	<u>5,059</u>	<u>15,108</u>	<u>128,664</u>	<u>51,480</u>	<u>807,926</u>
Expenditures/Expenses					
Current					
Housing and economic development					
Administration	-	1,195	86,342	15,486	215,122
Professional services	-	-	-	-	17,252
Depreciation	-	-	-	14,210	14,210
Debt service/nonoperating expense					
Principal	-	-	-	-	222,565
Interest and other	-	-	-	-	47,875
Bond issuance costs	-	-	-	-	28,672
Total Expenditures/Expenses	<u>-</u>	<u>1,195</u>	<u>86,342</u>	<u>29,696</u>	<u>545,696</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures/Expenses	5,059	13,913	42,322	21,784	262,230
Other Financing Sources					
Bonds Issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,000</u>

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Net Position (Continued)
For the Year Ended December 31, 2020

	Governmental Activities			Business-Type Activities - Enterprise Funds	
	Capital Project Funds				
	420	412	440	610	
	Storefront Renovation Project	District VIII Tax Increment	Tax Abatement	1111 7th Ave East	Total
Net Change in Fund Balances/Net Position	\$ 5,059	\$ 13,913	\$ 42,322	\$ 21,784	\$ 1,027,230
Fund Balances/ Net Position, January 1	199,194	129,074	76,026	4,665	4,471,818
Fund Balances/Net Position, December 31	<u>\$ 204,253</u>	<u>\$ 142,987</u>	<u>\$ 118,348</u>	<u>\$ 26,449</u>	<u>\$ 5,499,048</u>

Amounts reported for the Economic Development Authority in the statement of activities are different because

Net Change in Fund Balances/Net Position Reported above \$ 1,027,230

Capital outlays are reported in the fund financial statements as expenditures for governmental activities. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Depreciation expense (657)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.

Debt issued (765,000)

Plus: premium received on debt issued

Principal repayments 222,565

Amortization of bond discount (1,711)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(9,608)

Long-term pension activity is not reported in governmental funds of the Economic Development Authority.

Pension expense 139

Pension revenue from state contributions 7

Change in Net Position - Economic Development Authority \$ 472,965

City of Hibbing, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Statement of Cash Flows
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds <u>610</u>
	1111 7th Ave East <u> </u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 34,730
Payments to suppliers	(15,186)
Net Cash Provided by Operating Activities	<u>19,544</u>
Cash Flows from Capital and Related Financing Activities	
Loan repayments	<u>(3,001)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,543
Cash and Cash Equivalents, January 1	<u>43,921</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 60,464</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 21,784
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	14,210
(Increase) in assets	
Accounts receivable	(9,250)
Increase (Decrease) in liabilities	
Accounts and other payables	(700)
Due to other governments	1,000
Unearned revenue	<u>(7,500)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 19,544</u></u>

City of Hibbing, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Year Ended December 31, 2020

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 10,248,624	\$ 9,964,223	2.85 %
Special assessments	35,267	56,999	(38.13)
Licenses and permits	104,615	168,078	(37.76)
Intergovernmental	12,408,241	10,498,529	18.19
Charges for services	2,198,653	2,232,180	(1.50)
Fines and forfeitures	60,462	83,725	(27.79)
Gifts and contributions	13,490	92,589	(85.43)
Investment earnings	357,978	784,406	(54.36)
Miscellaneous	72,008	26,628	170.42
Total Revenues	<u>\$ 25,499,338</u>	<u>\$ 23,907,357</u>	6.66 %
Per Capita	\$ 1,563	\$ 1,462	6.94 %
Expenditures			
Current			
General government	\$ 1,887,257	\$ 1,810,700	4.23 %
Public safety	7,401,511	7,186,536	2.99
Public works	3,218,669	3,203,814	0.46
Culture and recreation	2,502,643	2,920,089	(14.30)
Economic development	17,438	11,431	52.55
Transportation	391,244	412,803	(5.22)
Miscellaneous	2,578,291	2,383,247	8.18
Capital outlay			
General government	183,982	38,210	381.50
Public safety	1,316,902	141,397	831.35
Public works	1,349,985	1,446,920	(6.70)
Culture and recreation	149,816	987,389	(84.83)
Miscellaneous	54,016	70,087	(22.93)
Debt service			
Principal	475,047	528,064	(10.04)
Interest and other	137,615	111,734	23.16
Bond issuance costs	55,729	-	N/A
Total Expenditures	<u>\$ 21,720,145</u>	<u>\$ 21,252,421</u>	2.20 %
Per Capita	\$ 1,332	\$ 1,300	2.47 %
Total Long-term Indebtedness	\$ 3,845,000	\$ 3,685,000	4.34 %
Per Capita	236	225	4.62
General Fund Balance - December 31	\$ 24,613,728	\$ 21,849,072	12.65 %
Per Capita	1,509	1,336	12.95

The purpose of this report is to provide a summary of financial information concerning the City of Hibbing to interested citizens. The complete financial statements may be examined at City Hall, 401 East 21st Street, Hibbing, Minnesota 55746. Questions about this report should be directed to Sheena Mulner, City's Deputy / Salaried Clerk.

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OTHER REQUIRED REPORTS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hibbing, Minnesota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
August 18, 2021

INDEPENDENT AUDITOR'S 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*

Honorable Mayor and City Council
City of Hibbing, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hibbing, Minnesota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2020-001 to be a significant deficiency.

Compliance and Other Matters

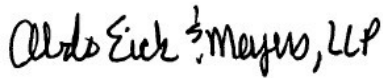
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The City's Response to the Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Finding and Response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
August 18, 2021

City of Hibbing, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
2020-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that the City agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.	

FEDERAL FINANCIAL AWARD PROGRAMS

CITY OF HIBBING
HIBBING, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE*

Honorable Mayor and City Council
City of Hibbing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Sample, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

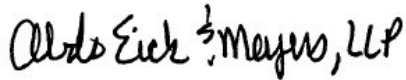
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
August 18, 2021

City of Hibbing, Minnesota
Schedule of Expenditure of Federal Award Programs
For the Year Ended December 31, 2020

Federal Grantor	Pass-through Grantor	Program Name	Catalog of Federal Domestic Assistance Number		Total Federal Expenditures
U.S. Department of Justice		Bulletproof Vest Partnership Program	16.607		<u>\$ 4,694</u>
U.S. Department of Transportation	Minnesota Commissioner of Transportation	Formula Grants for Rural Areas	20.509	\$ 254,105	
U.S. Department of Transportation	Minnesota Commissioner of Transportation	COVID-19 - Formula Grants for Rural Areas	20.509	<u>37,267</u>	
		Total Forumula Grants for Rural Areas		<u>291,372</u>	<u>291,372</u>
U.S. Department of Housing and Urban Development	St. Louis County, Minnesota	Community Development Block Grant Cluster	14.218		206,789
U.S. Department of Homeland Security		Safer Grant	97.083		103,816
U.S. Department of Homeland Security		2020 Assistance to Firefighters Grant Program	97.044		7,610
Substance Abuse Mental Health Services Adm.	MN Department of Human Services		93.959		<u>1,100</u>
U.S. Treasury	MN Department of Revenue	Coronavirus Relief Funds	21.019C	1,148,888	
U.S. Treasury	St. Louis County	Coronavirus Relief Funds	21.019C	<u>8,248</u>	
		Total Coronavirus Relief Funds		<u>1,157,136</u>	<u>1,157,136</u>
U.S. Health and Human Services		Stimulus	93.498		<u>44,516</u>
	Total Expended				<u><u>\$ 1,817,033</u></u>

City of Hibbing, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 20xx

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hibbing, Minnesota (the City) for the year ended December 31, 2020. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2020, the City did not elect to use the 10% de minimis indirect cost rate.

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City of Hibbing, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a).	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were no prior year audit findings required to be reported under 2CFR section 200.516(a).

Other Issues

A Corrective Action Plan is not required because there were no findings required to be reported under 2CFR section 200.516(a).